

# ***Government That Works!***

NEW JERSEY DEPARTMENT OF THE TREASURY

**LOCAL GOVERNMENT BUDGET REVIEW**

***MILLVILLE BOARD OF EDUCATION***

**CHRISTINE TODD WHITMAN**  
*Governor*

**ROLAND M. MACHOLD**  
*State Treasurer*

**AUGUST, 2000**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Millville Board of Education***

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a town, county or school district to participate in the Local Government Budget Review program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this. To participate, the governing body must agree to make all personnel and records available to the review team, and agree to an open public presentation and discussion of the review team's findings and recommendations.

As part of each review, team members interview each elected official, as well as employees, appointees, members of the public, contractors and any other appropriate individuals. The review teams examine current collective bargaining agreements, audit reports, public offering statements, annual financial statements, the municipal code and independent reports and recommendations previously developed for the governmental entities, and other relative information. The review team physically visits and observes the work procedures and operations throughout the governmental entity to observe employees in the performance of their duties.

In general, the review team received the full cooperation and assistance of all employees and elected officials. That cooperation and assistance was testament to the willingness, on the part of most, to embrace recommendations for change. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the district but do represent the cost of the school system's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective negotiation process. We believe, however, that these estimates are conservative and achievable.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
MILLVILLE SCHOOL DISTRICT**

Local Government Budget Review of the New Jersey Department of the Treasury conducted an extensive study of the Millville School District in response to a request from the Millville Board of Education. Some areas were reviewed resulting in suggested cost savings and/or managerial reform. Areas were recognized as “best practices” along with other commendations cited in the findings. The following is an executive summary of the findings and recommendations and dollar savings as appropriate:

**Administration**

The district owns or leases 44 photocopiers in its 13 facilities. The review analyzes the costs and usage of this equipment and compares these costs to the state’s cost-per-copy contract. Changing to the cost-per-copy contract would result in a saving of \$97,860.

The district should consider using computer software to provide telephone information for the entire district and eliminate the costly directory assistance charges, saving \$4,308.

**Instruction**

The district offers behind-the-wheel driver education instruction on a fee basis for students who are interested in the program. The team recommends an adjustment in the fee structure to put the program on a self-supporting basis which would result in a saving of \$10,381.

**Service Contracts**

The team recommended that the district develop professional service contracts with its attorney and auditor who specify the nature and extent of services to be provided by the contractor. It was also recommended that retainer fees for professional services be paid through the voucher system rather than the payroll system, saving \$4,136.

**Insurance**

By implementing the team’s recommendations as outlined in the safety plan to improve its safety record, the district could potentially save \$80,000.

The district could save an additional \$14,000 - \$28,000 by expanding the market to include both joint insurance funds as well as insurance pools.

By using the recommended outline to reduce the costs of healthcare or returning to the SHBP, the district could potentially save \$330,000 – \$459,300.

By renegotiating a 20% other-than-single co-pay, the district could potentially save \$393,900 – \$441,000.

The district should consider renegotiating cost saving strategies to lower prescription plan costs and also lower future increases, potentially saving \$95,300 - \$197,000.

The district should consider instituting a 50% premium co-pay, potentially saving \$290,600.

By eliminating supplemental vision coverage and replacing it with a direct payment plan, the district could potentially save \$70,000.

### **Facilities & Operations**

Implementing a PC-based work order process could improve efficiency, reduce the dependence on per-diems and overtime, and reduce material cost by 10%, saving \$36,000.

By constructing an addition at the current site of the Senior High School and closing the Memorial High School, the district could save \$234,000 in operating costs and \$1,450,000 - \$2,200,000 in capital costs.

### **Transportation**

The team reviewed the transportation program of the Millville School District and found that the district is very efficient in providing mandated transportation for its students. The team recommended that the district charge parents part of the cost for courtesy busing which would result in a saving of \$95,389.

### **Food Services**

In its review of the food services program the team recommended changes which would result in savings of \$126,273. These included increasing the price of lunches and eliminating the use of outside vendors for special functions. The team also identified additional savings in the elimination of health benefits for certain employees, which would have to be negotiated, potentially saving \$267,159.

### **Collective Bargaining Issues**

Renegotiating to pro-rate sick days for employees could potentially save \$12,000.

Eliminating the payments for foregoing acceptance of health coverage could potentially save \$5,000.

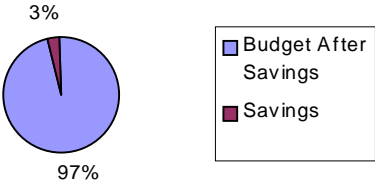
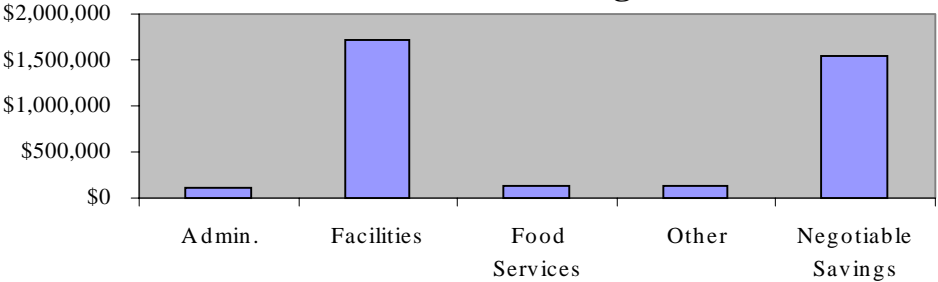


| <b><u>Areas Involving Monetary Recommendations</u></b>                 | <b><u>Annual Savings<br/>Expense</u></b> | <b><u>*Potential<br/>Savings</u></b> | <b>Totals</b>      |
|--|--|--------------------------------------|--------------------|
| <b>Administration</b>  |  |                                      |                    |
| Use state's cost-per-copy contract                                     | \$97,860                                 |                                      |                    |
| Purchase computer software to provide telephone information            | \$4,308                                  |                                      |                    |
|  |  |                                      | <b>\$102,168</b>   |
| <b>Instruction</b>   |  |                                      |                    |
| Adjust behind-the-wheel driver education fee structure                 | \$10,381                                 |                                      |                    |
|  |  |                                      | <b>\$10,381</b>    |
| <b>Service Contracts</b>   |  |                                      |                    |
| Pay retainer fees through voucher system                               | \$4,136                                  |                                      |                    |
|  |  |                                      | <b>\$4,136</b>     |
| <b>Insurance</b>   |  |                                      |                    |
| Use outlined safety plan to improve safety record                      |  | \$80,000                             |                    |
| Expand market to include joint insurance funds and insurance pools     | \$14,000                                 |                                      |                    |
| Use outline to reduce healthcare costs or return to SHBP               |  | \$330,000                            |                    |
| Renegotiate a 20% other-than-single co-pay                             |  | \$393,900                            |                    |
| Renegotiate cost-saving strategies to lower prescription plan costs    |  | \$95,300                             |                    |
| Institute a 50% premium co-pay   |  | \$290,600                            |                    |
| Eliminate supplemental vision coverage and replace with direct payment |  | \$70,000                             |                    |
|  |  |                                      | <b>\$14,000</b>    |
| <b>Facilities &amp; Operations</b>                                     |  |                                      |                    |
| Implement PC-based work order process                                  | \$36,000                                 |                                      |                    |
| Construct an addition at Senior High School                            | \$234,000                                |                                      |                    |
| Close Memorial High School   | \$1,450,000                              |                                      |                    |
|  |  |                                      | <b>\$1,720,000</b> |
| <b>Transportation</b>  |  |                                      |                    |

|  |                    |                    |                     |
|--|--------------------|--------------------|---------------------|
| Charge parents part of the cost for courtesy busing            | \$95,389           |                    | <b>\$95,389</b>     |
| <b>Food Services</b>   |                    |                    |                     |
| Eliminate use of outside vendors for special functions         | \$6,000            |                    |                     |
| Increase price of lunches                                      | \$120,273          |                    |                     |
| Eliminate health benefits for certain employees                |                    | \$267,159          |                     |
|  |                    |                    | <b>\$126,273</b>    |
| <b>Collective Bargaining Issues</b>                            |                    |                    |                     |
| Pro-rate sick days for employees                               |                    | \$12,000           |                     |
| Eliminate payments for foregoing acceptance of health coverage |                    | \$5,000            |                     |
| <b>Total Recommended Savings</b>                               | <b>\$2,072,347</b> | <b>\$1,543,959</b> | <b>\$2,072,347</b>  |
| *\$1,543,959 not included in savings of \$2,072,347.           |                    |                    |                     |
| <b>Total Amount Raised for School Tax (FY98)</b>               |                    |                    | <b>\$8,204,346</b>  |
| <b>Savings as a % of School Tax</b>                            |                    |                    | <b>25%</b>          |
| <b>Total Budget (FY98)</b>                                     |                    |                    | <b>\$59,359,674</b> |
| <b>Savings as a % of Budget</b>                                |                    |                    | <b>3%</b>           |
| <b>Total State Aid (FY98)</b>                                  |                    |                    | <b>\$44,966,542</b> |
| <b>Savings as a % of State Aid</b>                             |                    |                    | <b>5%</b>           |



Potential for Savings



## TABLE OF CONTENTS

|  |
|--|
| Preface – Government That Works/Opportunities for Change |
| The Review Process                                       |
| Executive Summary  |
| Comparison of Cost/Tax Rate with Recommended Savings     |

| <b><u>CONTENTS</u></b>   | <b><u>PAGE</u></b> |
|--|--------------------|
| <b>COMMUNITY OVERVIEW.....</b>   | <b>3</b>           |
| <b>I. BEST PRACTICES.....</b>  | <b>4</b>           |
| <b>II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS .....</b> | <b>6</b>           |
| COMPARATIVE ANALYSIS   | 6                  |
| ADMINISTRATION   | 12                 |
| INSTRUCTION  | 19                 |
| BUSINESS OFFICE OPERATION  | 29                 |
| SERVICE CONTRACTS  | 36                 |
| INSURANCE  | 38                 |
| FACILITIES & OPERATIONS  | 44                 |
| TRANSPORTATION   | 52                 |
| FOOD SERVICES  | 54                 |
| BOARD OF EDUCATION   | 58                 |
| <b>III. COLLECTIVE BARGAINING ISSUES .....</b>                         | <b>59</b>          |
| MILLVILLE EDUCATION ASSOCIATION  | 60                 |
| <b>IV. SHARED SERVICES.....</b>  | <b>68</b>          |



## COMMUNITY OVERVIEW

The City of Millville was incorporated as a city by an act of the State Legislature in 1866. The city is located in Cumberland County in southern New Jersey approximately 45 miles from Philadelphia, 120 miles from New York City and 140 miles from Washington, D.C. It lies between the southern end of the New Jersey Turnpike, the Garden State Parkway, State Highway 55 (which runs through the northeastern portion of the city) and the Atlantic City Expressway. The municipalities which border Millville are Deerfield Township, Lawrence Township, Downe Township, Commercial Township, Maurice River Township and Vineland City. The city encompasses an area of 44.3 miles, 8% of which is devoted to agriculture, 8% commercial and industrial, 10% residential, 13% municipal and the remaining 61% is vacant land and woodlands.

The 1990 U.S. Census lists the population as 25,992 with 24% having attained at least a high school diploma. The racial composition of the city includes 86.65% White, 8.44% Black, 0.39% American Indian and 0.60% Asian Pacific Islander. Seventy-three percent of the population is over 18 years of age, and 7.30% are college graduates.

According to the 1990 Census the median family income in Millville was \$36,654, the per capita income was \$13,748 and there were 2,954 persons in poverty. The median value of a single family home was \$70,500. Sixty-three point sixty-nine percent of the assessed valuations in the city are residential, 27.85% are commercial and industrial and the remaining are apartments and farms.

The Millville School District operates 10 school buildings providing educational programs from Pre-Kindergarten to senior citizens. In September, 1999 the Lakeside Middle School opened with grades six and seven, and the following year grade eight will be added. Millville Academy, which provides an instructional program for children in grades five through eight who are not succeeding in the traditional program, was terminated at the end of the 1998-99 school year because it was not found to be cost-effective. The district also provides an alternative program for students in grades 8-12 who cannot function effectively in the traditional program. This program is housed in the high school after regular school hours.

The following table lists the schools and the enrollments for the school year 1998-99:

| School                    | Grade Organization | Enrollment   |
|---------------------------|--------------------|--------------|
| Child Family Center       | Pre-K              | 104          |
| Bacon School              | Pre K-5            | 381          |
| Mount Pleasant School     | Pre K-5            | 311          |
| Wood School               | Pre K-5            | 378          |
| Holly Heights School      | K-7                | 720          |
| Reick Avenue School       | Pre K-7            | 706          |
| Silver Run School         | K-7                | 799          |
| Memorial High School      | 8-9                | 938          |
| Millville Sr. High School | 10-12              | 1,330        |
| Alternative School        | 8-12               | 88           |
| Millville Academy*        | 5-8                | 25           |
| <b>TOTAL</b>              |                    | <b>5,780</b> |

\*Eliminated 1999-00 Budget

## **I. BEST PRACTICES**

A very important part of each Local Government Budget Review report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices that are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and school districts throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense on their own.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for cost and/or service delivery effectiveness.

### **Cooperative Purchasing**

Millville is commended for taking an active role in participating in various purchasing cooperatives. The district participates in the Cumberland County Educational Cooperative for specific food, transportation, drug and alcohol and environmental services and with Pittsgrove Township for the purchase of copy paper. In turn, it takes the lead in purchasing custodial supplies, medical supplies and copy paper for a consortium of surrounding elementary school districts including the Townships of Woodbine, Lawrence, Maurice River, Downe, Commercial and Deerfield and copy paper for the City of Millville.

Studies have shown that public entities can gain greater output from purchasing dollars by consolidating similar needs to create volume purchasing. Through participation in larger cooperatives and leadership in passing those savings on to smaller surrounding districts, Millville has created a model that could be emulated in other school districts throughout the State of New Jersey.

### **Building Trades Program**

At Millville Senior High school, a three year Building Trades Program is offered that affords students the opportunity to learn the concepts of housing design, engineering, planning and permitting as well as hands on building trade experience. In the past 30 years the students in this program have constructed over 30 houses, an athletic storage building at the Senior High School, and the district's Early Childhood building.

The district buys property that is subdivided into building lots. The students select a housing design from existing catalogues (just as a potential homebuyer would do), and they participate in all aspects of planning, material purchasing, sub-contracting and constructing a 1,600-1,900 square foot house. During the first year of construction the students do the framing and exterior work, and during the second year interior finishes are completed. The district competitively bids any work that requires licensed trades. Upon completion, the houses are sold at a competitive auction and the money is placed in the general fund to be used to support the program.

During the past year, the American Builders' Association certified the program's curriculum. The district is commended for this outstanding program. It is an example of a program that provides students with practical experience and economic opportunity for the future, and it is one that could be replicated by other school districts in the state.

### **The Jason Project**

This program enables elementary school students to communicate, through technology, with some of the best scientists in the country and to receive input on topics related to their areas of expertise. Through E-mail and satellite down links students are able to become involved in projects ranging from ocean exploration to visiting the Amazon Rainforest. As a result of their involvement in this project, a teacher and students were invited to testify before a congressional committee on technology and its applications in schools. The Jason Project, which is a cooperative effort with the National Geographic Society, is an exemplary program which excites students to learn. The team commends the school district for providing this opportunity for its students.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found that the district makes a conscious effort to control costs and to explore areas of cost-saving efficiencies in its operations. Some of these are identified in the Best Practices section of this report. Others will be noted, as appropriate, in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

### **COMPARATIVE ANALYSIS**

Many of the recommendations contained in this report are based upon comparative analysis using New Jersey Department of Education data in comparison with districts of similar size and demographics (socioeconomic district factor groups – DFG). The comparative data used in this report was compiled in school year 1997-98, which was current at the time of the review. Other data are obtained from district documents, various state agencies, state education associations, publications and private industry. School districts used for comparison with Millville include Bridgeton, Vineland and Atlantic City. The following table (Table 1), which is based upon the district's Comprehensive Annual Financial Report (CAFR), compares the revenue sources of the four comparable districts:

**Table 1**

|                                | <u>Millville</u>    |              | <u>Bridgeton</u>    |              | <u>Vineland</u>     |              | <u>Atlantic City</u> |              |
|--------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|----------------------|--------------|
| <b>Revenues</b>                |                     |              |                     |              |                     |              |                      |              |
| <b>General Fund</b>            |                     |              |                     |              |                     |              |                      |              |
| Local Tax Levy                 | \$7,239,731         | 12.1%        | \$3,007,715         | 7.2%         | \$16,883,474        | 16.1%        | \$39,964,308         | 53.6%        |
| State Aid                      | \$35,336,219        | 59.2%        | \$27,340,033        | 65.9%        | \$64,223,837        | 61.2%        | \$7,524,711          | 10.1%        |
| Federal Aid                    | \$8,640             | 0.0%         | \$21,470            | 0.1%         | \$123,588           | 0.1%         | \$50,695             | 0.1%         |
| Tuition                        | \$4,383,452         | 7.3%         | \$1,449,656         | 3.5%         | \$669,500           | 0.6%         | \$7,640,470          | 10.3%        |
| Miscellaneous                  | \$474,348           | 0.8%         | \$268,673           | 0.6%         | \$772,056           | 0.7%         | \$386,652            | 0.5%         |
| <b>Total General Fund</b>      | <b>\$47,442,390</b> | <b>79.5%</b> | <b>\$32,087,546</b> | <b>77.3%</b> | <b>\$82,672,455</b> | <b>78.8%</b> | <b>\$55,566,836</b>  | <b>74.6%</b> |
| <b>Special Revenue Fund</b>    |                     |              |                     |              |                     |              |                      |              |
| State Aid                      | \$8,703,932         | 14.6%        | \$5,832,887         | 14.1%        | \$19,004,222        | 18.1%        | \$6,427,740          | 8.6%         |
| Federal Aid                    | \$1,630,956         | 2.7%         | \$2,499,720         | 6.0%         | \$3,005,948         | 2.9%         | \$2,417,275          | 3.2%         |
| Other                          | \$11,901            | 0.0%         | \$4,813             | 0.0%         | \$43,679            | 0.0%         | \$4,461              | 0.0%         |
| <b>Total Revenue Fund</b>      | <b>\$10,346,789</b> | <b>17.3%</b> | <b>\$8,337,420</b>  | <b>20.1%</b> | <b>\$22,053,849</b> | <b>21.0%</b> | <b>\$8,849,475</b>   | <b>11.9%</b> |
| <b>Debt Service Fund</b>       |                     |              |                     |              |                     |              |                      |              |
| Local Tax Levy                 | \$964,615           | 1.6%         | \$400,427           | 1.0%         | \$33,725            | 0.0%         | \$9,765,424          | 13.1%        |
| State Aid                      | \$926,391           | 1.6%         | \$663,199           | 1.6%         | \$33,712            | 0.0%         | \$0                  | 0.0%         |
| <b>Total Debt Service Fund</b> | <b>\$1,891,006</b>  | <b>3.2%</b>  | <b>\$1,063,626</b>  | <b>2.6%</b>  | <b>\$67,437</b>     | <b>0.1%</b>  | <b>\$9,765,424</b>   | <b>13.1%</b> |
| <b>Fiduciary Fund</b>          |                     |              |                     |              |                     |              |                      |              |
| Other                          | \$0                 | 0.0%         | \$25,879            | 0.1%         | \$127,699           | 0.1%         | \$0                  | 0.0%         |
| <b>Total Fiduciary Fund</b>    | <b>\$0</b>          | <b>0.0%</b>  | <b>\$25,879</b>     | <b>0.1%</b>  | <b>\$127,699</b>    | <b>0.1%</b>  | <b>\$0</b>           | <b>0.0%</b>  |
| <b>Capital Projects</b>        |                     |              |                     |              |                     |              |                      |              |
| Other                          | \$0                 | 0.0%         | \$0                 | 0.0%         | \$0                 | 0.0%         | \$342,644            | 0.5%         |
| <b>Total Capital Projects</b>  | <b>\$0</b>          | <b>0.0%</b>  | <b>\$0</b>          | <b>0.0%</b>  | <b>\$0</b>          | <b>0.0%</b>  | <b>\$342,644</b>     | <b>0.5%</b>  |

**Total Revenues (All Funds)      \$59,680,185   100%   \$41,514,471   100%   \$104,921,440   100%   \$74,524,380   100%**

Source: School districts' 1997-98 CAFR

NOTE: The "On Behalf Payments" for TPAF Pension Contributions in the amount of \$283,661 and reimbursement of the TPAF Social Security Contribution in the amount of \$1,872,501 were included in the State Aid Categories. These non-budgeted revenues are offset by the expenditures for which the district is not legally responsible.

With the exception of Atlantic City, most of the revenue for the general fund in each of the comparison districts comes from state aid. Atlantic City's major source of revenue for its general fund comes from local taxes.

The following table (Table 2) illustrates data which compares general fund expenditures based upon the districts' Comprehensive Annual Financial Reports (CAFR):



**Table 2****Comparison of General Fund Expenditures**

|  | <u>Millville</u>    |              | <u>Bridgeton</u>    |              | <u>Vineland</u>     |              | <u>Atlantic City</u> |              |
|--|---------------------|--------------|---------------------|--------------|---------------------|--------------|----------------------|--------------|
| Regular Program – Instruction          | \$14,697,665        | 31.4%        | \$11,048,082        | 33.8%        | \$26,389,568        | 32.4%        | \$18,777,778         | 31.0%        |
| Special Education                      | \$2,059,460         | 4.4%         | \$2,354,854         | 7.2%         | \$6,545,547         | 8.0%         | \$2,380,527          | 3.9%         |
| Basic Skills-Remedial                  | \$1,076,488         | 2.3%         | \$54,007            | 0.2%         | \$873,067           | 1.1%         | \$323,559            | 0.5%         |
| Bilingual Education                    | \$666,661           | 1.4%         | \$273,483           | 0.8%         | \$1,257,533         | 1.5%         | \$949,704            | 1.6%         |
| Sponsored Co-Cur. Activities           | \$155,719           | 0.3%         | \$166,093           | 0.5%         | \$221,790           | 0.3%         | \$89,825             | 0.1%         |
| Sponsored Athletics                    | \$558,771           | 1.2%         | \$281,085           | 0.9%         | \$513,724           | 0.6%         | \$364,802            | 0.6%         |
| Other Instruction Prog.                | \$1,089,662         | 2.3%         |                     | 0.0%         | \$186,655           | 0.2%         | \$58,094             | 0.1%         |
| Community Services Prog.               | \$108,385           | 0.2%         |                     | 0.0%         |                     | 0.0%         | \$3                  | 0.0%         |
| <b>Total Instructional Cost</b>        | <b>\$20,412,811</b> | <b>43.6%</b> | <b>\$14,177,603</b> | <b>43.4%</b> | <b>\$35,987,884</b> | <b>44.2%</b> | <b>\$22,944,292</b>  | <b>37.9%</b> |
| Undistributed Exp. – Ins.              | \$2,283,243         | 4.9%         | \$1,985,555         | 6.1%         | \$3,092,025         | 3.8%         | \$4,358,209          | 7.2%         |
| General Administration                 | \$732,604           | 1.6%         | \$704,772           | 2.2%         | \$1,402,784         | 1.7%         | \$1,769,338          | 2.9%         |
| School Administration                  | \$2,339,670         | 5.0%         | \$2,115,141         | 6.5%         | \$3,896,213         | 4.8%         | \$2,917,474          | 4.8%         |
| <b>Total Administration Cost</b>       | <b>\$3,072,274</b>  | <b>6.6%</b>  | <b>\$2,819,914</b>  | <b>8.6%</b>  | <b>\$5,298,997</b>  | <b>6.5%</b>  | <b>\$4,686,812</b>   | <b>7.7%</b>  |
| Food Service                           | \$416,134           | 0.9%         | \$0                 | 0.0%         | \$0                 | 0.0%         | \$0                  | 0.0%         |
| Health Service                         | \$429,062           | 0.9%         | \$345,845           | 1.1%         | \$803,443           | 1.0%         | \$524,936            | 0.9%         |
| Attend.& Soc. Work Serv.               | \$80,200            | 0.2%         | \$16,797            | 0.1%         | \$41,959            | 0.1%         | \$0                  | 0.0%         |
| Other Support Service-Student          | \$2,739,816         | 5.9%         | \$1,325,089         | 4.1%         | \$1,287,204         | 1.6%         | \$2,159,681          | 3.6%         |
| Other - Imp. of Inst. Serv.-Staff      | \$825,372           | 1.8%         | \$475,457           | 1.5%         | \$1,353,145         | 1.7%         | \$1,062,613          | 1.8%         |
| Media Serv./Sch. Library               | \$547,510           | 1.2%         | \$394,712           | 1.2%         | \$1,040,566         | 1.3%         | \$486,478            | 0.8%         |
| Instructional Staff Training           | \$92,858            | 0.2%         | \$0                 | 0.0%         | \$450,377           | 0.6%         | \$796                | 0.0%         |
| Operation of Plant                     | \$5,435,090         | 11.6%        | \$3,203,719         | 9.8%         | \$8,684,298         | 10.7%        | \$10,536,796         | 17.4%        |
| Business & Other Support Services      | \$5,570,296         | 11.9%        | \$3,922,367         | 12.0%        | \$11,255,500        | 13.8%        | \$8,297,578          | 13.7%        |
| <b>Total Support Services</b>          | <b>\$16,136,338</b> | <b>34.5%</b> | <b>\$9,683,986</b>  | <b>29.7%</b> | <b>\$24,916,492</b> | <b>30.6%</b> | <b>\$23,068,877</b>  | <b>38.1%</b> |
| Reimbursement TPAF Pension             | \$283,661           | 0.6%         | \$449,886           | 1.4%         | \$776,716           | 1.0%         | \$888,893            | 1.5%         |
| Reimb. TPAF SS Contribution            | \$1,872,501         | 4.0%         | \$1,395,876         | 4.3%         | \$3,072,358         | 3.8%         | \$2,241,085          | 3.7%         |
| Transportation                         | \$1,389,646         | 3.0%         | \$905,730           | 2.8%         | \$4,321,999         | 5.3%         | \$1,932,708          | 3.2%         |
| Capital Outlay                         | \$1,323,437         | 2.8%         | \$1,065,632         | 3.3%         | \$3,331,314         | 4.1%         | \$180,482            | 0.3%         |
| Special Schools                        | \$39,256            | 0.1%         | \$174,352           | 0.4%         | \$684,384           | 0.8%         | \$235,893            | 0.4%         |
| <b>Total General Fund Expenditures</b> | <b>\$46,813,167</b> | <b>100%</b>  | <b>\$32,658,533</b> | <b>100%</b>  | <b>\$81,482,169</b> | <b>100%</b>  | <b>\$60,537,251</b>  | <b>100%</b>  |
| <b>Average Daily Enrollment</b>        | <b>5,602</b>        |              | <b>3,891</b>        |              | <b>9,230</b>        |              | <b>6,907</b>         |              |

Source: School districts' 1997-98 CAFR and NJ Department of Education Comparative Spending Guide 1999.

The following table (Table 3) illustrates the comparative per pupil costs for selected cost factors for the 1997-98 school year:

**Table 3**

|   | <u><b>Millville</b></u> | <u><b>Bridgeton</b></u> | <u><b>Vineland</b></u> | <u><b>Atlantic City</b></u> |
|---|-------------------------|-------------------------|------------------------|-----------------------------|
| Total Cost Per Pupil **                       | \$7,827                 | \$7,966                 | \$8,206                | \$8,225                     |
| Total Classroom Instruction                   | \$4,568                 | \$4,400                 | \$4,423                | \$4,543                     |
| Classroom Salaries & Benefits                 | \$4,215                 | \$4,010                 | \$3,792                | \$4,173                     |
| Classroom General Supplies & Textbooks        | \$339                   | \$308                   | \$553                  | \$207                       |
| Classroom Purchased Services & Other          | \$14                    | \$81                    | \$78                   | \$162                       |
| Total Support Services                        | \$1,003                 | \$726                   | \$620                  | \$694                       |
| Support Services Salaries & Benefits          | \$855                   | \$612                   | \$570                  | \$598                       |
| Total Administrative Cost                     | \$985                   | \$1,886                 | \$2,044                | \$1,072                     |
| Salaries & Benefits for Administration        | \$807                   | \$1,668                 | \$1,788                | \$836                       |
| Operations & Maintenance of Plant             | \$1,027                 | \$835                   | \$951                  | \$1,639                     |
| Salaries & Benefits for Oper./Maint. of Plant | \$359                   | \$460                   | \$372                  | \$731                       |
| Food Service                                  | \$74                    | 0                       | \$76                   | \$16                        |
| Extracurricular Cost                          | \$146                   | \$116                   | \$80                   | \$75                        |
| Equipment                                     | \$218                   | \$251                   | \$449                  | \$53                        |
| Student/Teacher Ratio                         | 14.2                    | 11.7                    | 14.9                   | 15.4                        |
| Median Teacher Salary                         | \$48,200                | \$40,484                | \$52,139               | \$47,917                    |
| Student/Support Service Ratio                 | 91.0                    | 94.7                    | 93.7                   | 146.9                       |
| Median Support Service Salary                 | \$55,000                | \$41,684                | \$52,139               | \$53,125                    |
| Student/Administrator Ratio                   | 156.5                   | 126.7                   | 211.4                  | 205.7                       |
| Median Administrator Salary                   | \$78,960                | \$62,799                | \$74,109               | \$89,030                    |
| Faculty/Administrator Ratio                   | 12.7                    | 12.1                    | 16.5                   | 14.7                        |
| Personal Services-Employee                    | 17.0%                   | 16.5%                   | 19.2%                  | 18.4%                       |
| Benefits % of Total Salaries                  |                         |                         |                        |                             |

Source: 1999 NJDOE Comparative Spending Guide

\*\*The total cost per pupil is calculated as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include the local contribution to special revenue, tuition expenditures, interest payments on the lease purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded from this per pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.

A comparison of Millville's per pupil costs with those of Bridgeton, Vineland and Atlantic City, based on the Comparative Spending Guide (Table 3) illustrates that, overall, Millville's costs are within comparable ranges. Individual line comparisons reflect some costs as being higher while other costs are lower. Total classroom instruction, classroom salaries and benefits, support services, support services salaries and benefits and extracurricular cost are higher than other districts, while total cost per pupil, classroom purchased services, total administrative cost and salaries and benefits for administration are lower than other districts. Classroom general supplies and textbooks, operations and maintenance of plant, food service, student/teacher ratio, median support service salary and median administrator salary are ranked the second highest among the comparable schools.

In the 1999 Comparative Spending Guide, Millville is grouped with 85 K-12 districts with enrollments of +3,500 students. The following table (Table 4) indicates Millville's rank in selected cost categories for the school years 1996-97, 1997-98 and 1998-99:

**Table 4**

|                                     | <b>1996-97</b> |                | <b>1997-98</b> |                | <b>1998-99</b> |                |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Ranked Low Cost to High Cost</b> | <b>Actual</b>  | <b>Ranking</b> | <b>Actual</b>  | <b>Ranking</b> | <b>Budget</b>  | <b>Ranking</b> |
| Cost Per Pupil                      | \$7,341        | 34             | \$7,827        | 42             | \$7,904        | 36             |
| Classroom Instruction               | \$4,435        | 27             | \$4,568        | 35             | \$4,631        | 26             |
| Classroom Salaries & Benefits       | \$4,139        | 23             | \$4,215        | 29             | \$4,298        | 23             |
| General Supplies & Textbook         | \$272          | 80             | \$339          | 82             | \$293          | 73             |
| Purchased Services & Other          | \$24           | 24             | \$14           | 25             | \$40           | 35             |
| Support Services                    | \$780          | 65             | \$1,003        | 71             | \$972          | 56             |
| Support Serv. Salaries & Benefits   | \$731          | 65             | \$855          | 68             | \$843          | 54             |
| Total Administrative Cost           | \$956          | 33             | \$985          | 33             | \$1,062        | 48             |
| Salaries & Benefits for Admin.      | \$792          | 38             | \$807          | 40             | \$850          | <b>51</b>      |
| Operations & Maint.                 | \$1,016        | 62             | \$1,027        | 65             | \$971          | 48             |
| Sal. & Benefits for Operat./Maint.  | \$355          | 9              | \$359          | 12             | \$407          | 18             |
| Food Service                        | 0              | 0              | \$74           | 36             | \$82           | 37             |
| Extracurricular Cost                | \$128          | 44             | \$146          | 55             | \$156          | 58             |
| Median Teacher Salary               | \$48,500       | 27             | \$48,200       | 27             | \$51,500       | 41             |
| Median Support Service Salary       | \$53,000       | 27             | \$55,000       | 34             | \$56,100       | 31             |
| Median Administrator Salary         | \$74,487       | 12             | \$78,960       | 13             | \$80,107       | 13             |
| <b>Ranked High Ratio to Low</b>     |                |                |                |                |                |                |
| Student/Administrator Ratio         | 164.7          | 58             | 157            | 69             | 148            | 74             |
| Faculty/Administrator Ratio         | 13.2           | 59             | 13             | 68             | 12             | 73             |

Source: 1998 & 1999 NJDOE Comparative Spending Guide  
Total of 85 School Districts

Millville was compared to the other 84 school districts, grade K to 12 with more than 3,500 students, ranked low (1) to high (85), using the 1999 Comparative Spending Guide published by the New Jersey State Department of Education. The cost per pupil for Millville School District was ranked 34th in 1996-97, 42nd 1997-98 and 36th (budget) in 1998-99. A ranking of above 42 would reflect a higher cost than the midpoint and a ranking of lower than 42 would reflect costs below the midpoint of the 85 districts. An examination of Table 4 reflects Millville's standing when compared with the 85 like-enrollment/grade configuration districts.

The total cost per pupil in Millville for 1996-97 was \$7,341 and in 1997-98 the total cost per pupil was \$7,827, while the state average cost for K-12 schools was \$7,712 in 1996-97 and \$7,955 in 1997-98. Millville School District is below the state average cost for K-12 districts by 5.1 % in 1996-97 and 1.6% in 1997-98. During these two years, Millville was ranked below the median in most cost categories except General Supplies & Textbook, Support Services, Support Service Salaries and Benefits, Operations and Maintenance, and Extracurricular Cost.

Using the NJ School Report Card and the Comprehensive Annual Financial Report (CAFR), the following table (Table 5) provides additional comparative data used in this report:

**Table 5**

| <b><u>Description</u></b>          | <b><u>Millville</u></b> | <b><u>Bridgeton</u></b> | <b><u>Vineland</u></b> | <b><u>Atlantic City</u></b> |
|------------------------------------|-------------------------|-------------------------|------------------------|-----------------------------|
| County                             | Cumberland              | Cumberland              | Cumberland             | Atlantic                    |
| District Type                      | II                      | II                      | II                     | II                          |
| Grades                             | K-12                    | K-12                    | K-12                   | K-12                        |
| District Factor Group              | B                       | A                       | B                      | A                           |
| Certified Employees                | 506                     | 417                     | 907                    | 548                         |
| Other Employees                    | 334                     | 321                     | 1482                   | 233                         |
| Total Employees                    | 840                     | 738                     | 2389                   | 781                         |
| Square Miles                       | 44.3                    | 6                       | 69.5                   | 30                          |
| Number of Schools                  |                         |                         |                        |                             |
| Pre School                         | 1                       |                         |                        |                             |
| Elementary                         | 6                       | 5                       | 12                     | 9                           |
| Middle                             | 0                       | 1                       | 4                      | 1                           |
| High School                        | 2                       | 1                       | 2                      | 1                           |
| Adult High                         | 0                       | 0                       | 0                      | 0                           |
| Alternative School                 | 0                       | 0                       | 0                      | 0                           |
| Total Schools                      | 9                       | 7                       | 18                     | 11                          |
| Average Daily Enrollment           | 5,602                   | 3,891                   | 9,230                  | 6,907                       |
| Teacher/Student Ratio              |                         |                         |                        |                             |
| Pre-School                         | 1:7.6                   |                         | Not Available          |                             |
| Kindergarten                       | 1:8.8                   |                         | Not Available          |                             |
| Elementary                         | 1:9.6                   | 1:13                    | Not Available          | 1:12.65                     |
| Middle School                      |                         | 1:11                    | Not Available          | 1:10                        |
| High School                        | 1:12.08                 | 1:8                     | Not Available          | 1:12.6                      |
| Administrative Personnel 1997-98   |                         |                         |                        |                             |
| Number of Administrators           | 36.4                    | 31.4                    | 44                     | 35                          |
| Administrator per Students         | 1:156.5                 | 1:126.3                 | 1:211.4                | 1:204.5                     |
| Administrator/Faculty Ratio        | 1:12.7                  | 1:12.1                  | 1:16.5                 | 1:14.7                      |
| Median Salary                      |                         |                         |                        |                             |
| Faculty                            | \$49,200                | \$40,484                | \$52,139               | \$48,125                    |
| Administrators                     | \$78,960                | \$62,799                | \$74,109               | \$89,030                    |
| Median Years of Experience         |                         |                         |                        |                             |
| Faculty                            | 16                      | 11                      | 19                     | 14                          |
| Administrators                     | 26                      | 24                      | 23                     | 26                          |
| Scholastic Assessment Test Results |                         |                         |                        |                             |
| Average Math Score 1997-98         | 497                     | 471                     | 487                    | 469                         |
| Average Verbal Score 1997-98       | 500                     | 469                     | 474                    | 452                         |
| Post-Graduation Plans              |                         |                         |                        |                             |
| 4 year College/University          | 27%                     | 26%                     | 34%                    | 53%                         |
| 2 year College                     | 24%                     | 36%                     | 40%                    | 26%                         |
| Other College                      | 0%                      | 1%                      | 0%                     | 1%                          |
| Other Post-Secondary School        | 8%                      | 11%                     | 10%                    | 2%                          |
| Military                           | 0%                      | 0%                      | 0%                     | 0%                          |
| Full-time Employment               | 7%                      | 21%                     | 7%                     | 8%                          |
| Unemployed                         | 7%                      | 0%                      | 2%                     | 0%                          |
| Other                              | 0%                      | 0%                      | 0%                     | 5%                          |
| Undecided                          | 0%                      | 5%                      | 7%                     | 5%                          |
| Instructional Time                 | 5 hrs. 40 min.          | 6 hrs.                  | 4 hrs. 54 min.         | 4 hrs. 40min.               |
| Student Mobility Rate              | 9.3%                    | 32.2%                   | 26.0%                  | 31.2%                       |
| Dropout rate                       | 8.2%                    | 9.4%                    | 3.4%                   | 10.5%                       |

Source: 1997-98 school report card, CAFR and 1999 NJ Department of Education Comparative Spending Guide

## **ADMINISTRATION**

In the March, 1999 Comparative Spending Guide compiled by the New Jersey Department of Education, the Millville School District is included in the K-12 category of districts with enrollments over 3,500 students. The total number of schools in this category is 85. In the indicator comparing total administrative cost, Millville ranked 33<sup>rd</sup> in 1996-97 (ranked low cost to high) with a per pupil cost of \$956, 33<sup>rd</sup> in 1997-98 with a per pupil cost of \$985, and 48<sup>th</sup> in 1998-99 with a per pupil cost of \$1,062. The student/administrator ratio for 1997-98 was 156.5:1 which was 69<sup>th</sup> ranked high ratio to low. The median administrative salary in 1997-98 was \$78,960 which ranked 13<sup>th</sup> of the 85 districts in this category (ranked low to high), and \$80,107 in 1998-99 which ranked 13<sup>th</sup> of the 85 districts. The review team found that the number of administrators in the district was appropriate for a district the size of Millville.

### **Central Office Administration**

The central administrative staff in the district consists of the superintendent, two assistant superintendents, four directors and 12 supervisors of instruction. In addition to the certified staff, there are five supervisors/directors in non-instructional areas with district-wide responsibilities. There are 23 full-time central office support staff and two part-time.

### **School Administration**

The City of Millville School District presently operates seven elementary schools including the Child Family Center which is a Pre-K program, Memorial School which houses the 8<sup>th</sup> and 9<sup>th</sup> grades and the senior high school which houses grades 10–12. In addition to these schools, there is an Alternative School which is housed in the high school for grades 8–12, and Millville Academy which is an alternative program for grades 5-8 and is housed in a restricted facility. In the 1999-00 school year, the district will open the Lakeside Middle School which will eventually house grades 6-8, and the Millville Academy will be terminated.

During the 1998-99 school year, the district employed 11 principals which included principals for the Alternative School and Millville Academy. There are nine vice principals, three in the high school, three in Memorial School and one in each of the three larger elementary schools. All of the building administrators are on a 12-month schedule. Of the 32 full-time and one part-time clerical staff, 10 are assigned to the high school, five are in Memorial School, three in Holly Height, three in Rieck Avenue, three in Silver Run, two in Bacon, two in Mount Pleasant, two in Wood School, one in the Alternate School and one in Millville Academy.

### **Instructional Supervisors**

There are 12 instructional supervisors in the Millville School Districts. Supervisors provide leadership in curriculum development and program coordination as well as observing and evaluating staff. The positions are in the following areas:

- Supervisor of Gifted and Talented
- Supervisor of Instruction
- Supervisor of Child Study Team
- Supervisor of Math/Science
- Supervisor of Language Arts

- Supervisor of Computers
- Supervisor of Basic Skills – Early Childhood
- Supervisor of School and Community Relations
- Supervisor of Fine Arts
- Supervisor of Bilingual Education
- Supervisor of Guidance
- Supervisor of Athletics Health/Physical Education

The administrative staffing in the district is consistent with the elements contained in the Comprehensive Plan for Educational Improvement and Financing Act (CEIFA). As was indicated, the total administrative cost for the district as reported in The Comparative Spending Guide March 1999 ranked 33<sup>rd</sup> of 85 districts in the same category of enrollment. The 1998-99 budget per pupil cost shows an increase in administrative cost which could be attributed to additional staffing associated with the Lakeside Middle School. With the elimination of Millville Academy and a reduction in the enrollment at Memorial, the district should be able to reduce the number of administrators reflected in the 1998-99 budget.

#### **Recommendation:**

**The board of education should evaluate the administrative needs of the district after the middle school is opened to determine the number of positions required for that building. With the reduction in enrollment in Memorial and the elimination of Millville Academy, the district should strive to maintain the same number of building administrators as existed in the 1997-98 school year.**

#### **Board/Superintendent Relations**

The Millville Board of Education is composed of 12 members, with nine elected from Millville, one member from Commercial Township and two members representing Maurice River Township, Woodbine and Lawrence Township. The four sending districts are entitled to representation to the board. The involvement of the sending districts' representatives is limited to the following areas: tuition to be charged the sending districts by the receiving districts; new capital construction to be utilized by sending district pupils; the appointment, transfer or removal of teaching staff directly providing services to pupils of the sending district and action affecting the curricular and co-curricular programs involving pupils of the sending districts.

The Millville Board of Education generally holds two meetings a month, one of which is a workshop. The superintendent and his staff work with the various board committees to determine the agenda for the work meeting of the board. Action on the items discussed at the working meeting is taken at the regular monthly meetings.

The members of the board expressed pride in their school district and in the accomplishments of its students. They point with pride to the extracurricular programs provided by the district and they believe that these programs are an important element in the education program provided by the district. The board and the administration have developed a good working relationship in which both parties understand their respective roles.

## **Staffing**

In the Comparative Spending Guide published by the New Jersey Department of Education, March, 1999, the Millville School District ranked 43<sup>rd</sup> (ranked high ratio to low) of the 85 school districts in the category of student/teacher ratio for the 1997-98 school year. Millville's ratio of students to teacher was 14.2:1. In 1998-99, the district ranked 53<sup>rd</sup> of the 85 similar districts in student/teacher ratio with a ratio of 13.8:1.

In the 1997-98 New Jersey School Report Card, Millville's average class size in the elementary schools is less than the state average with the exception of Silver Run School. Memorial and the senior high school are also above the state average in class size.

In reviewing the median teacher salaries of the 85 districts in the same category as Millville, (K-12 over 3,500 students) Millville ranked 27<sup>th</sup> with a median salary of \$48,200 in 1997-98 and 41<sup>st</sup> with a median salary of \$51,500 in 1998-99. This places the district's median teacher salary in the lower 50% among the 85 comparative districts. Millville has an experienced staff. The median number of years of experience for the teaching staff is 16 years which is the same as the state median. This would indicate that a number of teachers will be eligible for retirement during the next five years which will create a challenge for the district to find suitable replacement for these veteran staff members.

Millville's per pupil cost for classroom salaries and benefits was \$4,215 in the 1997-98 school year which ranks 29<sup>th</sup> among the 85 comparable districts in the March, 1999 Comparative Spending Guide. The average cost for classroom salaries and benefits in the K-12 category in 1997-98 was \$4,554. Millville's per pupil cost for teacher salaries is less than the state average in both of these categories.

A review of teacher utilization and salaries in the Millville School District indicates that staffing is appropriate to meet the needs of students. Class size is slightly below the state average. With the opening of Lakeside Middle School, sufficient space is available in the district to meet the needs of the student population.

## **Recommendation:**

**The board of education should review its current class size policy, Instruction: 6151, and consider revising it in light of the recommended Abbott District class size as set forth in N.J.A.C. 6:19A-4.1(d)(9). The most recent revision to this policy occurred in 1980.**

## **Hiring Practices**

In the Millville School District, the superintendent delegates the responsibility for personnel administration to the director of personnel. All employee records and applications for employment are maintained in the office of the director. This office notifies employees when positions become available and advertises for candidates as needed. The district does have a nepotism policy, but it does not preclude the hiring the relatives of board members and administrators.

Candidates for teaching positions are screened by an interviewing committee selected by the director of personnel. The committee is composed of the principal of the building where the opening exists, a teacher with experience in the position being filled and other appropriate supervisors and administrators. The committee recommends three candidates to the director who is responsible for reviewing credentials and determining salary placement. After determining the candidates' eligibility for the position, the director submits the names to the superintendent who recommends one candidate to the board. The personnel policy allows some latitude in the initial placement of staff members on the salary guide.

### **Recommendation:**

**The board of education should review its current nepotism policy (Personnel: 4112.8) which was last revised in 1993. It is the recommendation of LGBR that, in order to avoid the appearance of a conflict of interest, relatives of administrators and board members should not be eligible for employment in the district while the administrator or board member is in office.**

### **Photocopiers**

The Millville School District owns and/or leases approximately 44 photocopiers in its 13 facilities. In school year 1997-98, the district paid in excess of \$215,000 in photocopy costs. In the elementary schools the number of copiers ranges from one to three copiers depending on the size of the school. The central office has eight copiers, Rieck Avenue School has five copiers, Memorial has six copiers and the Senior High has eight copiers. Thirty-five of these copiers are leased from three different companies.

Available detailed costs and usage associated with the district's copiers in the 1997-98 fiscal year were analyzed. Based upon this analysis it appears that the copiers purchased/leased by the district exceed its copying requirements. Many of the copiers have capacities of up to 400,000 copies per month. No copier in the district made more than 90,000 copies in any given month. The lowest count was 557. The total volume of all copiers averaged about 910,000 copies per month. It was also noted that the number of copies produced on some of the copiers was below the allowable limit offered by the vendor.

The terms of the leasing agreements varied. The district is paying monthly basic fees ranging from \$30 to \$1,164. The monthly fee includes parts and supplies for the equipment with the exception of paper and staples. Each copier has its own contract which spells out the maximum number of copies per month, after which the district is billed an additional cost per copy. Some agreements do not include the maximum number of copies. Vendors charge from \$.0065 to \$.018 for each copy that the district makes.

The State of New Jersey has in place a cost-per-copy contract, which is available for school districts' use. With a cost-per-copy agreement the customer contracts for photocopies, not photocopiers. The state contract was awarded to various primary and secondary vendors throughout the state based upon the anticipated number of monthly copies required and is intended for copiers making less than 100,000 copies per month. Under this arrangement, the vendor provides the customer a copier for its use. The agency or school district does not rent,



lease or buy the copier, but actually purchases only the photocopies. All equipment, parts and supplies, with the exception of paper and staples, are included in the monthly fee.

The following is a comparative analysis of costs paid in the 1997-98 school year for the 29 copiers selected for comparison including lease purchase costs, maintenance costs and meter charges, with the estimated costs using the cost-per-copy contract:

| District Contract |                 |                               |             |                              |                             | State Contract                |                  |             |                          |                  |
|-------------------|-----------------|-------------------------------|-------------|------------------------------|-----------------------------|-------------------------------|------------------|-------------|--------------------------|------------------|
|                   |                 |                               |             |                              |                             |                               |                  |             |                          |                  |
| Location          | Lease/<br>Month | Copies<br>Allow. Per<br>Month | Per<br>Copy | Average<br>Monthly<br>Volume | Average<br>Monthly<br>Costs | Copies<br>Allow. Per<br>Month | Basic<br>Charges | Per<br>Copy | Monthly<br>Total<br>Cost | Total<br>Savings |
| Silver Run        | \$799.97        |                               | 0.0071      | 56,200                       | \$1,199                     | 30,000                        | \$300.00         | 0.0100      | \$562.00                 | \$637            |
| Silver Run        | \$276.30        |                               | 0.0100      | 13,300                       | \$409                       | 7,500                         | \$101.25         | 0.0135      | \$179.55                 | \$230            |
| Holly Hgt.        | \$502.24        |                               | -           | 9,700                        | \$502                       | 3,500                         | \$51.10          | 0.0146      | \$141.62                 | \$361            |
| Wood              | \$316.60        |                               | 0.0160      | 23,900                       | \$699                       | 12,000                        | \$139.20         | 0.0116      | \$277.24                 | \$422            |
| Wood              | \$310.37        |                               | 0.0160      | 11,300                       | \$491                       | 7,500                         | \$101.25         | 0.0135      | \$152.55                 | \$339            |
| Wood              | \$292.73        |                               | 0.0160      | 14,100                       | \$518                       | 7,500                         | \$101.25         | 0.0135      | \$190.35                 | \$328            |
| Board             | \$552.91        |                               | 0.0075      | 52,800                       | \$949                       | 30,000                        | \$300.00         | 0.0100      | \$528.00                 | \$421            |
| Board             | \$1,164.00      | 60,000                        | 0.0065      | 86,000                       | \$1,333                     | 45,000                        | \$400.50         | 0.0089      | \$765.40                 | \$568            |
| Board             | \$790.27        |                               | 0.0071      | 57,100                       | \$1,196                     | 30,000                        | \$300.00         | 0.0100      | \$571.00                 | \$625            |
| St. Pals          | \$206.98        |                               | 0.0135      | 8,000                        | \$315                       | 3,500                         | \$51.10          | 0.0146      | \$116.80                 | \$198            |
| Alternative       | \$68.00         | 3,750                         | 0.0181      | 3,367                        | \$68                        | 1,000                         | \$22.50          | 0.0225      | \$75.76                  | -\$8             |
| Bacon             | \$121.00        | 6,666                         | 0.0181      | 37,415                       | \$678                       | 18,000                        | \$203.40         | 0.0113      | \$422.79                 | \$255            |
| Bacon             | \$582.00        | 32,108                        | 0.0181      | 27,117                       | \$582                       | 12,000                        | \$139.20         | 0.0116      | \$314.56                 | \$267            |
| Holly Hgt.        | \$724.00        | 39,950                        | 0.0181      | 44,255                       | \$802                       | 18,000                        | \$203.40         | 0.0113      | \$500.08                 | \$302            |
| Holly Hgt.        | \$724.00        | 39,950                        | 0.0181      | 51,065                       | \$925                       | 30,000                        | \$300.00         | 0.0100      | \$510.65                 | \$415            |
| Mt. Pleasant      | \$658.00        | 36,325                        | 0.0181      | 39,750                       | \$720                       | 18,000                        | \$203.40         | 0.0113      | \$449.18                 | \$271            |
| Mt. Pleasant      | \$30.00         | 1,667                         | 0.0181      | 1,351                        | \$30                        | 1,000                         | \$22.50          | 0.0225      | \$30.40                  | \$0              |
| Rieck             | \$196.00        | 10,833                        | 0.0181      | 6,196                        | \$196                       | 3,500                         | \$51.10          | 0.0146      | \$90.46                  | \$106            |
| Rieck             | \$574.00        | 31,667                        | 0.0181      | 28,057                       | \$574                       | 12,000                        | \$139.20         | 0.0116      | \$325.46                 | \$249            |
| Rieck             | \$385.00        | 21,250                        | 0.0181      | 33,937                       | \$615                       | 12,000                        | \$139.20         | 0.0116      | \$393.67                 | \$221            |
| Rieck             | \$272.00        | 14,975                        | 0.0181      | 32,846                       | \$596                       | 12,000                        | \$139.20         | 0.0116      | \$381.01                 | \$215            |
| Sr. High          | \$181.00        | 10,000                        | 0.0181      | 39,953                       | \$724                       | 18,000                        | \$203.40         | 0.0113      | \$451.47                 | \$272            |
| Sr. High          | \$159.00        | 8,775                         | 0.0181      | 10,334                       | \$187                       | 3,500                         | \$51.10          | 0.0146      | \$150.88                 | \$36             |
| Sr. High          | \$53.00         | 2,917                         | 0.0181      | 2,283                        | \$53                        | 1,000                         | \$22.50          | 0.0225      | \$51.37                  | \$2              |
| Sr. High          | \$35.00         | 1,917                         | 0.0181      | 2,260                        | \$41                        | 1,000                         | \$22.50          | 0.0225      | \$50.85                  | -\$10            |
| Sr. High          | \$640.00        | 35,333                        | 0.0181      | 39,953                       | \$724                       | 18,000                        | \$203.40         | 0.0113      | \$451.47                 | \$272            |
| Sr. High          | \$789.00        | 43,525                        | 0.0181      | 30,800                       | \$789                       | 12,000                        | \$139.20         | 0.0116      | \$357.28                 | \$432            |
| Sr. High          | \$781.00        | 43,133                        | 0.0181      | 72,162                       | \$1,307                     | 45,000                        | \$400.50         | 0.0089      | \$642.24                 | \$665            |
| Warehouse         | \$163.00        | 9,008                         | 0.0181      | 6,597                        | \$163                       | 3,500                         | \$51.10          | 0.0146      | \$96.32                  | \$67             |
|                   |                 |                               |             |                              |                             |                               |                  |             |                          |                  |
| Total Costs       |                 |                               |             |                              | \$17,385                    |                               |                  |             | \$9,230.39               | \$8,155          |
|                   |                 |                               |             |                              |                             |                               |                  |             |                          | 12               |
|                   |                 |                               |             |                              |                             |                               |                  |             |                          | \$97,861         |

## **Recommendations:**

**Selection of the model and number of copiers needed should be based upon anticipated usage. The district should determine its anticipated photocopy needs and take steps to right size its equipment to meet those needs. Based upon its volume and number of users, an appropriate number of copiers with appropriate capacities should be determined and maintained. The district may be able to eliminate some of its copiers, and hence, reduce its costs. As copiers need replacement, the district should first look to reassign under-utilized copiers to meet this need, rather than entering into further costly lease/purchase arrangements. The district should also examine the number of photocopiers needed in each building.**

**The district should consider utilizing the state's cost-per-copy contract. Based upon 1997-98 costs, minimally, the cost-per-copy potential savings is \$8,155 for each month or a total of \$97,860 for a year.**

**Cost Savings: \$97,860**

**It is recommended that the district monitor copier usage in its buildings in order to determine equipment needs and to identify areas for cost reductions. The use of PIN numbers for machine access should be considered.**

## **Telephones**

Based on the audit report, the district expended \$154,237 in 1997-98 for communication telephone cost charges, which included lease of equipment (\$10,739), pagers (\$1,698), interstate line service (\$8,125), telephone charges (\$125,476), cellular phone charges (\$899) and long distance charges (\$7,300). For school year 1996-97, communications/telephone was incorrectly reported in the other purchased services account. In school year 1997-98, the district corrected this problem. However, postage and postage equipment expenses were incorrectly reported in the supplies and materials account. According to the Department of Education Budget Guidelines, all telephone expenses, postage equipment rental, and postage expenses should be recorded in the communications/telephone account. As a result of this, the expense for communications/telephones expense account was understated, for both the 1996-97 and 1997-98 fiscal years.

The Millville School District does not have a written policy concerning usage of its telephones, including personal usage. Most of the telephone lines within the school district have restricted access, i.e., they can be used to make direct local calls only. Currently Millville School District has 303 telephone lines and 23 fax lines in the board office and in the schools. The district has joined the watt line system to reduce its telephone costs. If any staff member uses the watt line system to make a long distance call, the district receives a special rate on that call.

In reviewing the costs associated with the telephone service, the team looked at the actual billing. The team discovered that the district expended \$4,411 for directory assistance calls. The telephone company is charging \$.35 for each directory assistance call and \$.30 for each completed call. The district's staff members accepted collect calls from out of the state. The district spent \$60 in collect call expenses.

Telephone equipment and hardware were leased from a firm at a price of \$11.80 to \$27.50 per unit. In school year 1997-98, the district expended \$10,739 for lease of telephone equipment.

Recently, the district found that there were some overcharges on the telephone bill and it successfully reclaimed \$7,300 for these incorrect charges. During this year, a staff member was assigned to a special project investigating the incorrect charges and unused phone lines. The team supports this idea and believes that it could result in future savings for the district.

In school year 1997-98, five cellular phones were issued to teachers involved in the building trades program and to the latch key teachers. According to the district, these teachers are in need of the cellular phones because their classes are away from the school building. For example, Millville High School has a program in which students learn house construction and these students actually construct a house on property owned by the district. Because this class is taught outside of the school building, the teacher uses a cellular phone. The district is paying a basic charge of \$16.95 to \$17.94 per month for each cellular phone. Cellular phones are used for emergency calls only. Therefore, the district is paying only the basic charges in most months.

Besides the cellular phones, 19 pagers were issued to the district's staff members. Most of the staff members who received pagers are key personnel or staff members in the computer department. Each pager costs the district \$9.95 per month. Compared to the cost of a cellular phone, a pager is less costly, but it was decided that pagers are not always as effective as a cellular telephone in an emergency.

#### **Recommendations:**

**It is recommended that the district review the Department of Education Budget Guidelines for telephone, postage equipment rental and postage expenses in order to properly charge these items in the budget.**

**Using operators for directory assistance calls is convenient, but expensive. The team recommends that the district consider the use of computer software to provide telephone information for the entire district and eliminate the costly directory assistance charges. The software is under \$100 and has directory information for all areas within the United States.**

**Cost Savings: \$4,308**

**The district should establish a procedure for collecting personal telephone costs and for accepting collect calls.**

**The district should consider purchasing its telephone equipment. In today's market, the district can purchase telephone equipment for a cost of \$10 to \$200 each, depending on the model and functions required. The team believes that purchasing this equipment would result in savings for the district.**

**The district should consider hiring a consultant to review its telephone charges for accuracy. There are consultants who perform such reviews on a contingency basis.**

## INSTRUCTION

### Special Education

According to the 1997-98 Application for State School Aid (ASSA) report, the Millville School District Special Education Program had 852 classified students, including 194 students who were classified for speech only. Five hundred-ninety classified students were educated in the district (168 full-time, 1 shared-time, and the remaining 421 in resource rooms). The other 68 special education students were sent out of the district to both public and private education centers.

The following is a four-year distribution of Millville's special education students as reported in the district's respective ASSA application, which reflects a total enrollment of special education students throughout this period:

|   | 1997-98       | 1996-97       | 1995-96       | 1994-95       |
|---|---------------|---------------|---------------|---------------|
| Special Education Class Students on Roll Full-time  | 168           | 168           | 153           | 140           |
| Special Education Class Students on Roll Share-time | 1             | 0             | 0             | 0             |
| <b>Total Special Education Students on Roll</b>     | <b>169</b>    | <b>168</b>    | <b>153</b>    | <b>140</b>    |
| Sent Out-of-District Full-time                      | 19            | 13            | 24            | 16            |
| Sent Out-of-District Share-time                     | 0             | 0             | 0             |               |
| Sent to Private Schools                             | 41            | 25            | 20            | 22            |
| DHS Regional Day School                             | 6             | 4             | 5             | 5             |
| Day Training Centers                                | 2             | 2             | 1             | 2             |
| <b>Total Out-of-District Special Education</b>      | <b>68</b>     | <b>44</b>     | <b>50</b>     | <b>45</b>     |
| Received Full-time                                  | 0             | 2             | 4             | 2             |
| <b>Sub-Total</b>                                    | <b>237</b>    | <b>214</b>    | <b>207</b>    | <b>187</b>    |
| <b>Resource Room</b>                                | <b>421</b>    | <b>380</b>    | <b>361</b>    | <b>369</b>    |
| <b>Speech Instruction Only*</b>                     | <b>194</b>    | <b>175</b>    | <b>177</b>    | <b>221</b>    |
| <b>Total Special Education</b>                      | <b>852</b>    | <b>769</b>    | <b>745.1</b>  | <b>777</b>    |
| <b>Total Enrollment</b>                             | <b>4,966</b>  | <b>4,856</b>  | <b>5,060</b>  | <b>5,148</b>  |
| <b>Total % of Special Education Enrollment</b>      | <b>17.15%</b> | <b>15.83%</b> | <b>14.73%</b> | <b>15.10%</b> |

Source: District's ASSA report

\*Source: Special Education Statistical Report

The costs of special education programs are usually higher than regular education programs. These increased costs result from lower student teacher ratios, the use of aides in the classroom, more intensive curriculum, student Individual Education Plan (IEP) requirements and specialized staff requirements. Special Education students are not sent out-of-district unless the district is unable to provide an appropriate level of education in a least restrictive environment or the student is placed out of district by the court. For school year 1997-98, 68 special education students were sent out-of-district, which included 41 to private schools, six to a regional day school, two to day training centers and 19 to other public schools. Based upon the actual billing

provided by the district for school year 1997-98, the average cost per pupil for out-of-district placements, including students sent to both private and public schools for special education programs, is estimated at \$18,252. This amount is exclusive of the transportation cost which averaged \$7,529 per pupil. Including the transportation cost, the cost per pupil for out-of-district special education is \$25,781 while the in-district cost per pupil is \$8,212. From school year 1996-97 to 1997-98, the number of students placed out of the district increased by 54.5% or 24 students, based on the ASSA.

In school year 1997-98, the Millville School District operated 16 self-contained special education classes located in the elementary schools which provided instruction for a total of 187 students with various learning disabilities. There are no self-contained special education classes in the middle and high schools. In addition to the self-contained classes, Millville School District also provides a number of other programs for classified students including resource rooms, supplemental instruction and speech. The district had 28 full-time and 14 part-time resource centers distributed among 10 different locations providing supplemental instruction and resource room instruction for over 550 students during the 1997-1998 school year. In the elementary schools, resource room teachers set up their own schedules based on the students' IEPs. In the middle and high schools, schedules for students assigned to the resource rooms are set up by the guidance counselors.

The district has a sending and receiving relationship with the Commercial, Lawrence, Maurice River and Woodbine Boards of Education to provide special education programs for classified students from these districts in grades 9 to 12. Special education students received from these four districts are not included in Millville's count.

A review of the enrollments in the district's special education classes indicated that Millville's class size was consistent with the class size recommendations of the New Jersey Department of Education.

### **Recommendation:**

**It is recommended that Millville continue to carefully scrutinize and utilize all resources within the district prior to committing to outside educational centers, in order to minimize tuition and transportation expenses. An increase of 55% in the number of students placed out of the district in the 1997-98 school year represents a substantial increase in cost. If only ½ of these additional outside placements were returned to appropriate district placements, the saving to the district would be approximately \$210,000.**

### **Child Study Teams**

A district is obligated to employ child study teams in sufficient numbers to ensure the provision of special education programs and services to all classified pupils. The Millville School System currently employs four and a half child study teams. Each team consists of a psychologist, a social worker, and a learning disabilities teacher-consultant. The main responsibilities of the child study teams include evaluating and determining eligibility of pupils for special education and/or related services and coordinating, monitoring and evaluating the effectiveness of the IEP.

The following table illustrates data which compares the district's staff and case ratios with the state average based upon the Special Education Statistical Report provided by Department of Education for the past four years:

|   | <b>1997</b> | <b>1996</b> | <b>1995</b> | <b>1994</b> |
|---|-------------|-------------|-------------|-------------|
| Total number of classified students*                      | 770         | 733         | 678         | 649         |
| Number of Psychologists                                   | 4.1         | 4           | 4           | 4           |
| Number of students served by a Psych.                     | 188         | 183         | 170         | 162         |
| State Avg.  | 134         | 136         | 147         | 125         |
| Number of Social Workers                                  | 5           | 5           | 5           | 4           |
| Number of students served per social worker               | 154         | 147         | 136         | 162         |
| State Avg.  | 119         | 122         | 132         | 110         |
| Number of learning disabilities teacher consultants       | 5           | 5           | 4           | 4           |
| Number of students served per LDTC                        | 154         | 147         | 170         | 162         |
| State Avg.  | 123         | 125         | 130         | 111         |
| Number of Speech/Language Specialists                     | 4           | 4           | 4           | 4           |
| Number of students served per Speech/Language Specialists | 194         | 175         | N/A         | N/A         |
| For Speech only   | 127         | 129         | N/A         | N/A         |
| Total CST speech  | 321         | 304         | N/A         | N/A         |
| Number of students served per Speech/Language Specialists | 80          | 76          | N/A         | N/A         |
| State Avg.  | 46          | 45          | 49          | 45          |

\*Excluding speech

Based on the above table, Millville's special education population increased about 20% from 1994 to 1997, not including the students from the sending districts (Maurice River, Commercial, Woodbine and Lawrence Townships). The total number of child study teams remained the same while special education enrollment increased. Millville child study teams are effective in their relations with students, staff and parents. In comparison with other districts in the state, they are also very productive.

The following table, which is based upon the Special Education Statistical Report, compares Millville's classification rate (excluding speech) to the state average for school years 1996 and 1997 in December:

| <b>Date</b>  | <b>Total Enrollment</b> | <b>Total Classification</b> | <b>Millville Total CST %</b> | <b>State CST %</b> | <b>Exceeded State Avg.</b> |
|--------------|-------------------------|-----------------------------|------------------------------|--------------------|----------------------------|
| Dec. 1, 1997 | 4,966.00                | 769.73                      | 15.5%                        | 12.2%              | 3.3%                       |
| Dec. 1, 1996 | 4,856.00                | 733.26                      | 15.1%                        | 12.1%              | 3.0%                       |

Source: Special Education Statistical Report

NOTE: Excluding Speech

Millville's special education classification rate exceeded the state average in 1996 and 1997.

## **Recommendations:**

**In an effort to control the upward trend in the number of special education classifications and resulting increased special education costs, it is recommended that the district review the standard of special education classification. The New Jersey State Board of Education adopted the revised Special Education Administrative Code N.J.A.C. 6A:14 on June 3, 1998. One of the changes in the regulations reduces the number of re-evaluations required, subject to parental concurrence. The new regulation will probably not have any meaningful fiscal impact on the unit during the first year. Potential savings should be realized in future school years, provided that there is not a large increase in the number of classified students to be served.**

## **Basic Skills**

Twenty-two full-time and five part-time teachers staff the Basic Skills Improvement Program (BSIP). There is a district supervisor who is responsible for the program. Some of the staff teach other classes in addition to Basic Skills. There are seven instructional aides who are assigned to the pre-school program and five aides who are assigned to the transitional kindergarten and transitional 1<sup>st</sup> grade classes. One part-time teacher is assigned to provide remedial instruction in the private school.

The district uses the Metropolitan Achievement Test, as well as teacher recommendations, to determine eligibility for the BSIP. The Early Warning Test in the 8<sup>th</sup> grade and the High School Proficiency Test are also indicators of the need for remediation. The district does use the state's cutoff scores but also uses other criteria, such as teacher recommendations, to ensure that students in need of additional support can participate in the program. In selecting students for the program, teachers review all of the information that is available about the student, rather than basing the decision on one test score.

In the elementary schools, the Basic Skills Program operates primarily as an in-class program with the BSIP teacher working in the regular classroom with the classroom teacher. Approximately 75% of the elementary students in the program receive assistance in their regular classroom. Pullout classes in the elementary schools range in size from five to eight students. On the secondary level the system is different. Students are identified on the basis of test scores and teacher recommendation, and these students are assigned to a small group class in mathematics or language arts, which is in addition to their regular class in either or both of these subjects. These small groups are kept under 15 students in order to provide more individual assistance.

Based on the 1997-98 Comprehensive Annual Financial Reports of the four comparable districts selected for this report, Millville has the highest cost per pupil for basic skills. The following table illustrates those comparable costs:

| <b>District</b> | <b>Total Cost</b> | <b>Per Pupil Cost</b> |
|-----------------|-------------------|-----------------------|
| Millville       | \$1,076,488       | \$187.47              |
| Bridgeton       | \$54,007          | \$13.97               |
| Vineland        | \$873,067         | \$94.78               |
| Atlantic City   | \$323,559         | \$47.49               |

Millville's cost for basic skills is high compared to the costs in the comparable districts. An explanation for the relatively high cost of the program is the emphasis that the district places on providing every student the opportunity to succeed academically. The per pupil cost shown above is based on the total enrollment of the four districts. During the 1997-98 school year, Millville's Basic Skills Program included the following number of participants:

| <b>Reading</b> | <b>Writing</b> | <b>Mathematics</b> | <b>Readiness</b> |
|----------------|----------------|--------------------|------------------|
| 1,022          | 644            | 1,064              | 394              |

The district's program is providing services to a large percentage of the student population. The in-class support program in the elementary schools allows the basic skills staff the opportunity to provide assistance to all students who are in need of their help, and it eliminates the disruption that can occur when students are pulled out of class. The Basic Skills Program in Millville focuses on helping students, as early as possible, to develop the skills necessary to successfully meet graduation requirements.

### **Driver Education**

Driver education is provided at Millville Township High School as part of the health and physical education curriculum. This program includes classroom instruction, driver simulation film instruction and behind-the-wheel instruction. Under this program, three full-time and one part-time teachers taught health and physical education to over 480 students in grade ten for school year 1997-98. The driver education course consists of 30 hours of classroom instruction and 12 hours of simulation instruction. After passing the written exam with 30 hours of classroom instruction, students may sign-up with a certified driver education teacher for behind-the-wheel training. These teachers receive a stipend (extra pay) of \$23 per hour for their services. There are usually four teachers performing behind-the-wheel instruction in cars leased by the district. \$27,286 was budgeted for this program in the 1997-98 school year. The board also provides for other expenses related to this program such as gasoline and insurance which are not included in the driver education budget. The district traded in all the old simulators and provided new simulators three years ago.

Driver education is not a required course for high school graduation. Credit is given for driver education for classroom and simulation instruction. The behind-the-wheel program is voluntary and it is taught after school hours with students paying a fee to participate. The cost per pupil was \$135 in the fall semester (1997) and \$150 for the spring semester (1998). Two cars are leased for the behind-the-wheel class at a total cost of \$280 a month. Expenditures for behind-the-wheel instruction were budgeted each year. In 1997-98, the school spent \$27,286 in this program, which did not include car insurance and gasoline. Most of the costs were for teachers' salaries (\$23,261) and the lease of the vehicles (\$3,540). The district also paid for the auto maintenance and vehicle registration. For school year 1997-98, only 25% or 123 students signed up for behind-the-wheel instruction. The charge of \$150 per pupil for the behind-the-wheel program is not enough to cover all the costs. In the 1997-98 school year, the shortfall between revenue and expenses was \$10,381 or \$84 per student. The team supports the concept of providing this program on a self-supporting basis. The board should analyze its actual costs for the behind-the-wheel program and revise the amount charged to students to participate.



**Recommendation:**

**It is recommended that the board revise the fee charged to students for behind-the-wheel driver education to reflect the actual cost of this program. The district may consider pursuing private and public contributions, which might include established automobile associations, auto dealerships, organized safety councils and fundraising, to assist Millville's Driver Education Program.**

**Cost Savings: \$10,381**

**Bilingual/ESL (English as a Second Language) Program**

Millville is a multi-cultural community as is evidenced by the 13 different languages represented in the Millville School District's Bilingual/ESL Program. The number of students varies during the school year because of the transience of the students and the nature of the program where students remain in the program only for that period of time when they need the support. In the 1997-98 school year, there were 375 students in the district whose native language was other than English, of which 111 were considered Limited English Proficient (LEP).

In the 1999-00 school year, the Bilingual/ESL program in the Millville Public Schools is conducted in four different schools. The four-year old preschool through fifth grade LEP students are served in a magnet center at Rieck Avenue School. Students from the other five elementary schools are transported to Rieck Avenue School to participate in the bilingual or ESL programs. Because of the number of LEP students whose native language is Spanish, the district provides a bilingual program for these students.

The bilingual program consists of a half-day program for four year old preschool students, a full-day kindergarten class, a transitional first grade class, a first grade class, a second grade class and a combined third-fourth-fifth grade class. Sixth and seventh grade students attend the Lakeside Middle School where a bilingual program is provided for Hispanic LEP students. Eighth and ninth grade students attend Memorial High School and grades 10, 11 and 12 attend Millville Senior High School where these students receive an intensive ESL program.

The LEP program in pre-school through grade 12 is staffed by three full-time teachers and one part-time teacher. One full-time teacher and one part-time bilingual teacher staff the bilingual program in grades one through seven. There is also one full-time bilingual resource room teacher who instructs Hispanic LEP students with special needs. Students in the bilingual program are gradually transitioned into English instruction. These students are sometimes mainstreamed for one or two subjects in order to help them gain confidence in their use of the English language. LEP students participate in the Basic Skills Improvement Program if they are in need of this assistance and bilingual BSI instruction is provided in grades K-7.

The Bilingual/ESL program in the Millville Public Schools is well organized and is functioning effectively. The needs of this diverse and growing population are being addressed, and the students who are part of the program are adjusting well to their new environment.

## Guidance

The Millville School District provides guidance counseling services to all students, grades K-12. The New Jersey Department of Education's Comprehensive Plan for Educational Improvement and Financing recommends the following ratios of counselors to students based upon grade level:

| <b>High School</b> | <b>Middle School</b> | <b>Elementary School</b> |
|--------------------|----------------------|--------------------------|
| 1:225              | 1:338                | 1:500                    |

Millville High School exceeds the state's suggested ratio. There are four full-time counselors and one part-time counselor in the high school serving 1,343 students, which results in a ratio of 1:298. Memorial School also exceeds the state recommendation with two counselors for 905 students and a ratio of 1:452. There are nine counselors providing services to six elementary schools with a total enrollment of 3,290 students at a ratio of 1:366, which is less than the suggested ratio proposed by the state. The district also has an Alternative School for students in grades 8-12 and Millville Academy for grades 5-8. These programs are for students who do not function productively in a regular classroom environment and there is a counselor assigned to each program. In addition to these counselors, there are four student assistance counselors, one in the high school, one in Memorial School and two who service the six elementary schools.

The overall responsibility for the district's guidance program rests with the K-12 guidance supervisor. The purpose of the guidance program is to aid students in making informed and responsible decisions concerning their personal and educational futures. The guidance program provides the information students need to make decisions that are best for them. Students are encouraged to avail themselves of the assistance of the guidance counselors.

The primary focus of the guidance program at the elementary level is to promote values and citizenship among the students via classroom instruction and small group sessions. Individual counseling is provided when needed. Programs for parents which deal with parenting skills are also provided as need or interest dictates.

The middle school program for 8<sup>th</sup> and 9<sup>th</sup> grade students focuses on self-esteem primarily through group counseling activities. Counselors also assist students in preparing for testing programs, such as the Early Warning Test (EWT), and they supervise the testing programs administered in the school.

High School counselors work closely with students and they serve as a major resource in identifying career choices and educational and vocational plans. In addition to group guidance activities, a significant amount of the high school counselors' time is devoted to individual counseling.

Testing is a major area of responsibility for counselors. The counselors supervise the administration of the district testing program, disseminate information about testing programs and interpret test scores for students and parents. The testing program includes the administration of the state mandated EWT (Early Warning Test) the HSPT, (High School Proficiency Test) as well as the PSAT (Preliminary Scholastic Aptitude Test) and SAT

(Scholastic Aptitude Test). Because of their responsibilities in registering new students and in the scheduling process, counselors in the secondary schools are employed on a 12-month basis. The counselors in the elementary schools are employed on a 10-month contract.

### **Recommendation:**

**The board of education has a strong commitment to providing a guidance program which assists students in making responsible decisions and in developing effective decision-making skills. The district has developed a program which is adequately staffed to deliver the services students need to make the most of the educational program available to them. It is the recommendation of the team that, with the opening of the Middle School and the closing of Millville Academy, the goals of the guidance program can be met without increasing staff.**

### **Athletics and Extracurricular Activities**

An extensive program of athletic and extracurricular activities is available for students in the Millville School District. The athletic program includes 21 activities of interscholastic competition for boys and girls during the fall, winter and spring seasons. The participation rate in these athletic programs is high as is indicated in the Sports Participation Survey submitted to the New Jersey Interscholastic Athletic Association (NJSIAA) for the school. Elementary schools provide intramural sports all during the school year and the participation is strong.

In addition to the athletic program, Millville also provides a wide variety of extracurricular programs in music, student government, drama, and publications as well as a number of service organizations and clubs related to student interest. The level of participation is high in these programs as well. In discussing the sources of pride in the school district among community residents, the accomplishments of students involved in athletics and the quality of the musical productions were two areas that were consistently mentioned.

According to the Department of Education's March, 1999 Comparative Spending Guide, Millville ranked 55<sup>th</sup> of the 85 K-12 districts with enrollments in excess of 3,500 in extracurricular cost. The actual per pupil cost for Millville in the 1997-98 school year was \$146. Millville's cost per pupil for extracurricular activities is higher than the three comparable districts. Bridgeton's cost was \$116 per student, Vineland's cost was \$80 per pupil and Atlantic City spent \$75 per pupil. The state average for similar school districts was \$147.

The director of athletics, which is a 12-month position, is responsible for the coordination and supervision of the K-12 athletic activities in the school district. The director also coordinates and supervises the intramural program in the district as well as supervising the K-12 physical education and health program. The non-athletic extracurricular program is supervised by the administrative staff in the school in which the program is located.

The extracurricular program is an extensive program that offers a wide variety of activities designed to meet the needs of all the students in the district. Participation in the program is high, as is the cost. This is also a program which receives strong community support as is evidenced by the comments made by all of the board members.

### **Staff Development**

An important aspect of a school district's ability to provide an educational program that incorporates the most current strategies and technology available to teachers is a strong staff development program. The Millville School District provides several different opportunities for its staff members to improve their knowledge of the curriculum and to sharpen their instructional skills. During the 1997-98 school year, the district spent approximately \$92,850 for instructional staff training. During the 1998-99 school year, the district increased the budget for in-service to \$125,000. Part of the increased expenditure was the result of training for the staff who were assigned to the Lakeside Middle School which was opening in September, 1999.

The district's curriculum center publishes a monthly activity report that highlights the staff development programs available in the district. A number of in-service programs have been made available for administrators and school management teams dealing with the budget development program proposed by the school district. The requirement for teachers to earn 100 hours of continuing education credits over a five year period will have an impact on the staff development program in future years and the district is developing a plan to address this issue.

In addition to the staff development program provided in the district, teachers are reimbursed for tuition costs for approved educational programs offered in colleges and universities. The board of education will reimburse professional staff members for graduate level courses with the amount of reimbursement not to exceed six credits in any one school year. The district benefits from this contractual provision because it encourages teachers to pursue advanced degrees and to stay abreast of the current trends in their profession.

The staff development program in the Millville School District is functioning in an effective manner. Additional comments concerning the tuition reimbursement provision are included in the section of this report that addresses negotiated agreements.

### **Library and Media Services**

Each of the school buildings in the Millville School District has a library staffed by a full-time librarian. Millville Senior High School and Memorial High School have a full-time aide, and there are part-time aides available to the larger elementary schools. A full-time aide will be assigned to the Lakeside Middle School scheduled to open in September, 1999. The high school library is available to students after the regular school day. Each building principal supervises the library program in his/her school within the guidelines of the district curriculum.

The district has maintained a reasonable level of funding for updating the collection and the purchase of materials and supplies to support the libraries. The building principal and the librarian prepare a budget each year which reflects the needs they have identified for the coming year and that budget is submitted to the superintendent and the business administrator for their review. The board and the superintendent determine the level of funding to be included in the proposed budget for the following school year.

The level of technology available in the libraries of the Millville Schools varies among the buildings. Each school has access to the Internet, and all of their card catalogs are automated.

The schools are not linked together electronically but the high school is linked to the county library system allowing students to access the public libraries in the area. The high school has the most advanced technology and equipment in the district.

#### **Recommendation:**

**One of the purposes of a school library is to teach students how to access information and to use that information effectively. In order to accomplish that goal, a school district must maintain current information which is available to students as well as the staff to help them evaluate that information. The Millville School District should determine the equipment and technology necessary to support that goal.**

#### **Health Services**

The Millville School District employs 10 full-time nurses in its schools. There is a full-time nurse assigned to each school and there are two nurses assigned to the high school. The second nurse in the high school is shared with the Alternative School, which is housed in that building. The number of staff falls within the parameters contained in the Department of Education's Comprehensive Plan for Educational Improvement and Financing (CEIFA).

The nurses report primarily to their respective building principals as their immediate supervisor and to the director of personnel as the district supervisor of health services. The nurses are 10-month employees and receive additional compensation if they are required to work during the summer. Additional nurses are employed on a temporary basis to assist with screenings and examinations if the numbers of students warrant it. The health office facilities appeared to be adequate in all the schools.

There is no clerical support assigned to the health office. In some schools students assist the nurse by answering the telephone and performing other tasks, but students cannot have access to confidential information which limits what they can do. The health offices are equipped with computers and the district is investigating existing software programs designed to facilitate the record keeping and reporting requirements associated with the duties of the position.

#### **Recommendation:**

**The record keeping and reporting requirements of the health office are extensive and the responsibility for completing this paperwork falls on the school nurse. The primary responsibility of the school nurse is attending to students' needs during the school day. The team recommends that the district review its current clerical/aide staffing assignments for the purpose of reallocating some of their time to assist in the health offices.**

There are two physicians employed by the district on a retainer basis. One of these doctors is assigned to the secondary schools and the other is assigned to the elementary schools. The district has a good relationship with both of the doctors and they have compared the cost of this service with other school districts and found it to be competitive. The job description for this position delineates the duties and responsibilities of the school physician, which includes required physicals and screenings and availability to the school nurses for consultation.

## **Technology**

Computing in the Millville School District is divided into two separate sections: the instructional application and the administrative application. In the instructional area, there is a supervisor of computers who is responsible for the implementation of the district's technology program. On the administrative side, there is a director of computer services who is responsible for the non-instructional programs used by the district.

The district uses a national computer program for budgeting, accounting, payroll, student scheduling and student records. Because it ran on a mainframe that was not Y2K compliant, the district hired a consultant in February, 1998 to address its long term computer needs. The consultant submitted a report that recommended an expenditure of almost \$900,000 to upgrade the mainframe computer.

The district has chosen to continue in a mainframe environment at a time when many businesses are moving to a stable open platform. The computer department consists of three employees. The director of the department is well-versed in the operating system used by the mainframe and believes that the transition to an open system would be difficult for the district. The machine that the district was considering has the capability of being a dual system. The open side of the machine is the direction for migration of data that the district needs to focus on for the future.

## **Recommendation:**

**Given the proprietary nature of a mainframe environment, the review team recommends that the district move to the open side of the new system as soon as possible. The district should consider using the services of the Cumberland Educational Technology Training Center at the Cumberland County Vocational School District for training of teachers on the effective use of technology in the classroom.**

## **BUSINESS OFFICE OPERATION**

### **Long-term Debt**

The Millville School District is comprised of one pre-school, six elementary schools, one middle school and one high school. One of the schools was acquired in 1915. The newest school was built in 1992. The average age of the schools is 44 years old. Due to increases in student enrollment, the district built additions to the three elementary schools, the middle and the high school. The oldest addition was built in 1937. The newest addition, at the high school, was built in 1997.

Because of the district's plans to accommodate the early childhood mandate, increases in student enrollment and the age of many of the school buildings, the district has a need for both additional classrooms and renovation to existing facilities. In order to lessen the impact on local taxes, the district has issued long-term bonds to raise cash for school renovations, put in additional rooms and for a new school building. According to N.J.S.A. 18A:24-10-11, school bonds shall be authorized and may be issued by the governing body of the municipality for a Type I school district. Millville School District was a Type I district before January, 1992; therefore, the City

of Millville was responsible for \$1.8 million bonds issued before 1992 for school renovations. In January of 1992, Millville School District became a Type II district. According to N.J.S.A. 18A-24-12, school bonds shall be authorized and may be issued by the board of education in a type II district. Therefore the Millville School Board of Education is responsible for all debt issued after January, 1992.

As a result of referendums approved in 1992 and in 1995, more than \$17.8 million of bonds were issued to construct a new school (Silver Run) and for renovations to existing facilities. The district is paying 5.20% to 5.30% interest for this debt. In the last three years the district has utilized approximately \$13 million of its state aid to purchase an empty office building and convert that building into a Middle School. The new Lakeside Middle School, which will eventually house grades 6-8, will provide much needed space for the district.

### **Surplus**

Surplus is the amount of money held in reserve and left over after the current year's expenditures. Surplus funds are included in a district's budget in order to provide funds for emergencies or other unexpected items beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA) effective December 20, 1996, reduced the allowable surplus maximum from 7.5% to 6% of the budget. In accordance with N.J.S.A. 18A:7D-27.1, excess surplus that is over the allowable maximum shall be appropriated or returned to the taxpayers. The amount of surplus to leave in a budget can range from under 3% to 6% of anticipated expenditures. The state does not stipulate the minimum amount of surplus a district should maintain, however, since revenues are not always received on a timely basis and expenditures may vary from month to month, the district must anticipate its cash flow needs throughout the year.

The district's ability to estimate surplus accurately is strongly predicated on its success in establishing sound budgetary and internal controls. Procedures established in this regard are necessary to ensure adequate budgetary and financial control during the year and accurate accountability at year-end. These in-place control procedures can be utilized to institute corrective action by alerting management when significant budget and accounting data deviations occur from original estimates made.

There are trends of school district revenues, expenditures, and annual surplus that enable school districts to estimate surpluses accurately. When a district prepares the budget it knows fairly precisely the amount of revenue it will receive for the upcoming year. In Millville, over the past three years (1995-96 through 1997-98), local taxes provided approximately 16% of the total revenue in the general fund, state aid provided 73% to 76% of the total revenue and tuition revenues provided approximately 6% to 10% of the total general fund revenue. The following table illustrates the district's revenue distribution in the past three years for general fund:

| <b>General Fund</b> | <b>1995-96</b> |          | <b>1996-97</b> |          | <b>1997-98</b> |          |
|---------------------|----------------|----------|----------------|----------|----------------|----------|
|                     | <b>Actual</b>  | <b>%</b> | <b>Actual</b>  | <b>%</b> | <b>Actual</b>  | <b>%</b> |
| Local Tax Levy      | \$7,239,731    | 16.18%   | \$7,239,731    | 16.37%   | \$7,239,731    | 15.99%   |
| Tuition             | \$3,764,167    | 8.41%    | \$2,769,224    | 6.26%    | \$4,383,452    | 9.68%    |
| Other Revenue       | \$160,058      | 0.36%    | \$234,823      | 0.53%    | \$474,348      | 1.05%    |
| State Aid           | \$33,584,224   | 75.05%   | \$33,975,204   | 76.80%   | \$33,180,057   | 73.27%   |
| Federal             | \$0            | 0.00%    | \$17,751       | 0.04%    | \$8,640        | 0.02%    |
| Total Revenue       | \$44,748,180   | 100.00%  | \$44,236,733   | 100.00%  | \$45,286,228   | 100.00%  |

Over this period, the local tax levy and the amount of state aid received by the district varied by less than one percent from what was budgeted. For school years 1996-97 and 1997-98, tuition revenue was overestimated in the amount of \$640,627 or 18.79% and underestimated \$293,572 or 7%, respectively.

The following table illustrates the comparison of budgeted revenue to actual revenue for the school years 1995-96, 1996-97 and 1997-98:

|                      | <b>1995-96</b> |               |                      | <b>1996-97</b> |               |                      | <b>1997-98</b> |               |                      |
|----------------------|----------------|---------------|----------------------|----------------|---------------|----------------------|----------------|---------------|----------------------|
|                      | <b>Budget</b>  | <b>Actual</b> | <b>Chg.<br/>in %</b> | <b>Budget</b>  | <b>Actual</b> | <b>Chg.<br/>in %</b> | <b>Budget</b>  | <b>Actual</b> | <b>Chg.<br/>in %</b> |
| Local Tax Levy       | \$7,239,731    | \$7,239,731   | 0.0%                 | \$7,239,731    | \$7,239,731   | 0.0%                 | \$7,239,731    | \$7,239,731   | -                    |
| Other Revenue        | \$113,945      | \$160,058     | 40.47%               | \$113,945      | \$234,823     | 106.08%              | \$113,945      | \$474,348     | 316.30%              |
| Tuition              | \$3,745,620    | \$3,764,167   | 0.50%                | \$3,409,851    | \$2,769,224   | -18.79%              | \$4,089,880    | \$4,383,452   | 7.18%                |
| State Aid            | \$33,575,485   | \$33,584,224  | 0.03%                | \$33,744,010   | \$33,975,204  | 0.69%                | \$33,180,057   | \$33,180,057  | 0.00%                |
| Federal              | \$0            | \$0           | 0.00%                | \$0            | \$0           | 0.0%                 | \$0            | \$8,640       | 0.0%                 |
| Total Revenue        | \$44,674,781   | \$44,748,180  | 0.16%                | \$44,507,537   | \$44,218,982  | -0.65%               | \$44,623,613   | \$45,286,228  | 1.48%                |
| Total Expenditures   | \$44,916,728   | \$42,551,990  | -5.26%               | \$46,460,654   | \$44,238,639  | -4.78%               | \$47,559,578   | \$44,657,005  | -6.50%               |
| (O)/U Expend         | (241,947)      | \$2,196,190   | 1007.72%             | (\$1,953,117)  | (\$19,657)    | 98.99%               | (\$2,935,965)  | \$629,223     | 121.43%              |
| Surplus or (Deficit) | (241,947)      | \$2,196,190   | 1007.72%             | (\$1,953,117)  | (\$19,657)    | 98.99%               | (\$2,935,965)  | \$629,223     | 121.43%              |
| Beg. Fund Bal.       | 750,329        | \$750,329     | 0.0%                 | \$2,946,519    | \$2,946,519   | 0.0%                 | \$2,926,862    | \$2,766,772   | -5.47%               |
| Ending Fund Bal.     | 508,382        | \$2,946,519   | 479.59%              | \$993,402      | \$2,926,862   | 194.63%              | (\$9,103)      | \$3,395,995   | -37406.33%           |
| Fund Bal./T. Exp.    | 1.132%         | 6.925%        |                      | 2.138%         | 6.616%        |                      | -0.019%        | 7.605%        |                      |

For school years 1995-96 through 1997-98, the district under-budgeted its other revenues ranging from a high of \$360,403 or 316% to a low of \$46,113 or 40%. These other revenues may include interest on investments, rentals and miscellaneous. For school year 1997-98, the other revenue was underestimated in the amount of \$120,878 or 106%. As with estimates of surplus and expenses, underestimating sources of revenue results in additional taxes being raised by the district. While interest income has decreased as the surplus balance has been reduced, the review team believes that the district could achieve more accurate estimates of its other revenue, which would result in a more reasonable prediction of surplus.

Approximately 61% (1997-98) of Millville's expenses are for salaries. Except during contract renewal years, the district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries. However, the salary estimate will usually be higher than actual expenditures as a result of resignations, retirements, etc., which may occur after the budget has been adopted. The remaining 39% of budget expenditures are more variable, although budget projections can be determined through the use of multi-year contracts and purchase agreements.



In 1995-96, to fund \$44 million in expenses, the board appropriated \$241,947 from a \$750,329 surplus balance, leaving a projected surplus of \$508,382 (1.13%). According to the CAFR, the district under-spent the budget by \$2.2 million, which generated a surplus of \$2.9 million. Therefore, the district's projected surplus of 1.13% actually became a surplus of 6.9%. For the 1996-97 budget, the board appropriated \$1.9 million from surplus and estimated an end-of-year surplus balance of \$993,402 (2.1%), but by the conclusion of the budget year realized savings of over \$2.9 million. This generated an actual surplus balance of 6.6% of the actual budget expenses. During the 1997-98 budget, the board estimated a zero balance surplus, but instead actualized a 7.6% surplus.

### **Recommendations:**

**It is recommended that the district develop methods that result in more accurate annual estimates of the budget expenditures and surplus balance. The district should develop a plan to determine how much surplus balance should be maintained for cash flow considerations, unanticipated expenditures, emergency building repairs, etc. Obviously, the district should not deplete its surplus balance to such a level as to expose the district to financial harm, but it also should avoid raising additional taxes by overestimating expenditures or underestimating proven sources of revenue.**

### **Special Grants**

The Millville School district had 24 educational grant programs in operation for the 1997-98 school year. The district received nearly \$11 million in grant funds in 1997-98, which included \$1.8 million in federal grants and \$9.1 million in state grants. Six grants from the state government are for non-public schools. The district received no grants from private entities. The federal education grants for the district included: Title VI; Eisenhower Special Development; Title 1; IDEA; Safe and Drug Free Schools and Communities; Perkins Secondary Vocational School to Work Opportunities; Goals 2000; and JTPA. The state grants for the district include: English For Foreign Born; At Risk Employment Internship Program; Child Assault Prevention; Technology Grant; Early Childhood Program Aid; Demonstrably Effective Program Aid; Distance Learning Network Aid; and Abbott v. Burke Parity Remedy Aid.

The district does not have a full-time grant writer or a central grant application office. Entitlement grants are usually handled by the assistant superintendent for curriculum, the special services director or the high school principal. There is a part-time grant director who handles the competitive grants. The district staff actively pursues competitive grants. About 50% of the grant applications submitted over the last few years have been awarded to the district.

Unexpended grants may be returned to the grantor if not spent within the designated grant period as prescribed in the program guidelines. A review of the district's grants program revealed that unexpended balances have occurred. In school year 1997-98, \$8,554 in unexpended grants were returned to the state government, which included a \$7,171 non-public school grant. In the same year, \$1,127 in unexpended grants were returned to the federal government. These funds have been lost to the district because of its inability to spend them in the allotted time period.

## **Recommendations:**

**The district should closely monitor the expenditures for all awards to ensure that expenditures are incurred within the specified period in order to avoid loss of funds.**

**The district should frequently visit the New Jersey Department of Education web site ([www.state.nj.us/education](http://www.state.nj.us/education)) click on Grants, and the United States Department of Education web sites ([www.ed.gov/inits.html](http://www.ed.gov/inits.html)) ([www.ed.gov/funding.html](http://www.ed.gov/funding.html)) for current information on available grant programs. These web sites are an excellent source of information for schools to obtain additional information on the availability of grants.**

## **Banking and Investment**

The checking and savings accounts maintained by the Millville Board of Education were reviewed for the purpose of possibly identifying ways the district could improve its interest income and reduce the costs associated with reconciling and maintaining its banking accounts. During 1997-98, the district maintained a total of 38 accounts in four banks, which included 18 checking accounts, nine savings accounts, nine certificates of deposits, one money market fund and one investment account. Among the 38 accounts, 10 accounts are for cafeteria operations and 20 accounts for the scholarship funds. The district also maintained accounts for Custodian of School Monies (operating account), Student Activity, Game Expense, Capital Improvement, Personnel Service, Salary Account, Employee Deduction and account for the SUI. Bank accounts are earning interest from 0% to 5%.

A review of the amount of interest earned by the district in its operating accounts disclosed that the average monthly balances in 1997-98 ranged from approximately \$2,050,036 to \$5,748,018. The district received more than \$180,000 in interest income for school year 1997-98 from the operating account. In this period the district was assessed over \$2,800 in service charges. These charges included account maintenance fees of \$15 per month, \$.40 for each deposit made, \$.18 for each check paid, \$10 for incoming wire transfers and \$23 for a stop payment request. The bank states that it will waive the service charge if the district maintains a minimum balance in the account. However, the district earns no interest from the minimum balance amount. In other words, the bank uses the earned interest to cover the service charges. In school year 1997-98, only the operating and the capital improvement account are earning an average of 5% in interest income.

Scholarship accounts are earning an average of 2% of interest income. The scholarship fund balances vary from \$524 to \$36,091 school year 1997-98. Some scholarship funds are invested in certificates of deposit to secure higher interest.

The Food Services Enterprise Fund has nine non-interest bearing accounts and individual interest bearing checking accounts in two different banks. Each production kitchen and a satellite kitchen have their own bank accounts. The cafeteria managers deposit lunch money into the bank daily. Money was transferred out from the non-interest bearing accounts into the consolidated interest checking account to secure interest income monthly. The consolidated interest bearing checking account is only earning 1% interest income. All service charges are waived for the non-interest bearing accounts. There are no service charges for the consolidated

interest checking account if the account carried a balance of \$500. Otherwise, a \$10 fee will be charged for this account. The district earned \$2,026 interest income from this account for the period from August, 1997 to June 30, 1998 with an average balance of \$135,005.

The district does not has a formal written agreement with banking institutions outlining the specific services to be provided, the cost per unit of service, and the manner in which these costs will be paid. There was no indication that the district has prepared a cash flow analysis or that it evaluates the market to secure the highest returns.

### **Recommendations:**

**The district should combine all the cafeteria accounts into one bank account. This would lend itself to a simpler and more efficient method of account management, which would result in enhanced opportunities for interest earnings and minimize account maintenance charges.**

**The board should restructure most of its bank accounts to improve the interest income or look into other investment opportunities. The district should consider opening a Sweep Account with the bank. A Sweep Account is an investment account, which collects all the cash balances from different accounts every night. It allows the district to earn overnight interest. The district should also look at optional investments permitted in P.L. 1997, Chapter 148, as amended.**

**It is suggested that the district periodically compare its banking program with area bank offerings in order to maintain optimum investment opportunities for its money. The district should consider entering into a formal written agreement with the bank outlining the specific services to be provided, the cost per unit of service, and the manner in which these costs will be paid.**

**It is recommended that a cash flow analysis be prepared and a more comprehensive and informative investment tracking system be utilized. This could lend itself to a more efficient method of cash management, which would result in enhanced opportunities for interest earnings.**

**Anticipated Revenue Enhancement: Undetermined**

### **Sending/Receiving Tuition**

The Millville Board of Education has a sending/receiving relationship contract with the boards of education of the Maurice River, Commercial, Woodbine and Lawrence Township School Districts to educate their 9th through 12<sup>th</sup> grade students. Provisions of the contract require the sending districts to make monthly payments of one-tenth of the projected tuition from September through June of the school year to the Millville Board of Education. After the actual tuition is calculated in the following school year, overcharged tuition will be returned to the sending districts or adjusted in the following year's tuition payment. For undercharged tuition, billing will be sent to the sending district for payment.

For school year 1997-98, an average of 268 pupils were received from Commercial, 75 from Lawrence, 153 from Maurice River and 56 from Woodbine School District, for a total of 552 pupils. The district received \$4,383,452 in tuition revenue from the four sending school districts in school year 1997-98.

Five years ago, three sending districts (Commercial, Maurice River and Woodbine) filed a petition with the Commissioner of Education alleging improper tuition charges by the Millville Board of Education for the school years 1986 through 1991. This litigation has progressed through the Administrative Law Court. In school year 1996-97, this case was settled. In that settlement, Millville had to pay back a total of \$388,397 to Commercial Township, \$263,137 to Maurice River and \$232,151 to Woodbine for a total of \$883,685 payable over a period of from five to seven years.

### **Recommendation:**

**The district should carefully review its procedures for calculating the tuition costs for its receiving districts in order to avoid any future litigation concerning tuition.**

### **Inventory and Fixed Assets**

The recent conversion to Generally Accepted Accounting Principles (GAAP) for New Jersey school districts mandated that the district set up a General Fixed Asset Group of accounts and provide an inventory method to quantify the historical cost of fixed assets for the district.

The Millville School District has an inventory list, which is controlled by the management information services department. A clerical staff member is responsible for keying the data into the system if the purchase cost for each item is over \$500. There is no inventory list for items under \$500, such as calculators, chairs, printers, etc. Inventory stock and appraisal fixed asset lists provide organizations with valuable information. They not only list public assets, but also can help identify theft, establish consumption guidelines, and help prevent unnecessary purchasing. An incomplete inventory listing makes it difficult to identify a loss or to provide proper insurance coverage for the district.

A review of the fixed assets was conducted. The team found that some school equipment including computers and fax machines, were not included on the inventory list, and some school equipment, which was disposed of, was not removed from the assets lists because of poor communications between the schools and the business office. As a result, the fixed asset list is not accurate.

### **Recommendation:**

**It is recommended that the district contract with a professional appraiser to conduct an evaluation of the district's inventory and to establish a procedure for updating the fixed assets list.**

**The district should implement two different types of inventories. The first type involves a professional appraisal performed every five years, which quantifies items valued over five**

**hundred dollars. The other type of inventory deals with items less than the appraisal threshold. This will identify properties belonging to the district and assist the district in maintaining inventory control and proof of ownership for insurance claims on items not included in the professional appraisal. This inventory should be part of a database identifying object, location and value. The principal at each school should be held accountable as to the location and condition of all district property belonging to the school.**

**The board of education should establish procedures for the disposal of unused or broken school equipment which would include the reconciliation of the fixed asset ledger on an annual basis.**

## **SERVICE CONTRACTS**

### **Contracted and Professional Services**

This review was conducted to determine the spending practices of the Millville Board of Education for the purchase of professional services. District records were researched to determine the existence of written agreements on file for professional services and consulting contract fees. This review revealed that most of the contracts did not specify the nature and extent of services to be provided by the contractor. There was no indication that the district has prepared Requests for Proposals (RFPs) to seek competitive bids for professional services from other qualified bidders. Retainer fees for contractors, such as the board attorney and school doctors, were paid through the district's payroll system which qualified these professional consultants for participation in the pension system.

### **Recommendations:**

**The district should prepare RFPs for professional services to ensure that the fees are comparable and reasonable for the services provided. The district should enter into formal written agreements with professional service providers and these agreements should specify the nature and extent of services to be provided.**

**It is recommended that all retainer fees for professional services be paid through the voucher system rather than the payroll system.**

**Cost Savings: \$4,136**

### **Legal Fees**

An analysis of the district's legal expenses over the past two years, 1996-97 and 1997-98, revealed expenditures totaling \$80,481 and \$68,276 respectively, which included the retainer fees for the board solicitor. Legal fees decreased by \$12,205 or 18% in 1997-98 from 1996-97. This occurred as a result of a decrease in the legal service for bonding and arbitration costs in 1997-98. A review of the vendor analysis records for school year 1996-97 and 1997-98 was conducted. In school year 1997-98, most legal fees were paid for legal consultation (\$43,757), arbitration (\$1,140), settlement expenses (\$5,000), retainer fees (\$15,450), subscriptions (\$297),

travel (\$1,503) and miscellaneous (\$1,129). Consultation fees include reviewing board agendas, reviewing bids, reviewing grievance procedures, consultation on special education issues, and bond service.

The district has utilized the services of the same attorney for more than five years. The district is very satisfied with the service it receives from this attorney and has not sought other proposals for legal services. The board appoints the attorney each year through resolution. The board attorney is presently compensated at the rate of \$85 per hour with an annual retainer fee of \$15,540. His retainer fees are paid through the board's payroll system and, therefore, he is included in the state pension system. It was also noted that the district reimbursed the attorney for his travel expenses, dues and subscriptions. The board has a contract with the board attorney, however, the contract does not specify what the retainer fee actually covers.

### **Recommendations:**

**According to the Department of Education Accounting Guidelines, settlement expenses should be recorded separately from legal expenses. Settlement expenses should be recorded as judgements against the school district account in the general administration function.**

**LGBR recommends that retainer fees should be paid through the voucher system rather than the payroll system. Even though the district is not paying any portion of the pension contribution, there is an expense to taxpayers. The district pays a portion of the payroll tax for its employees. The district should also discontinue the reimbursements of other employment-related costs such as professional subscriptions, dues and travel expenses.**

**The district should develop a formal written agreement with their legal service providers specifying the nature and extent of services to be provided. This contract could serve as the basis for a request for proposal should there be a need to seek the services of an attorney in the future.**

### **Auditor**

The district has utilized the services of the same auditor for more than six years for its annual audit. The district expended a total of \$20,758 in 1997-98 for audit fees and other accounting services. The auditor is re-appointed each year by the board at its reorganization meeting. The board has a contract with an accounting firm to do its annual audit at an annual retainer fee of \$17,510 and an hourly rate of \$90, however, the contract does not delineate those services included in the retainer fee and those which will be charged at the hourly fee.

The review team found errors and inaccurate reporting in the audit and CAFR reports and internal district errors in the GAAP accounting by board employees and the auditor. These errors were found in a number of accounts. For example, in the 1996-97 CAFR, communications/telephones expenses were commingled in the other purchased services account. This was corrected in school year 1997-98. For school year 1997-98, board member expenses were commingled in the supplies and materials account. Postage and special delivery expenses were charged on different lines which is not in accordance with the Department of Education

Accounting Guideline. Because of these errors, expenses for each category may be overstated or understated which impacts on the accuracy of the budget in providing information about district costs.

### **Recommendations:**

**The district should prepare a Request for Proposals (RFP) for the purpose of identifying competitive fees from different accounting firms. Also, the district should develop a formal written agreement with their auditor specifying the services to be provided. These specifications should be included in the RFP.**

**The district should request its auditor to extend the audit-testing sample to ensure that the district is charging its expenses to the appropriate accounts in accordance with the Department of Education guidelines.**

**According to the Department of Education Accounting Guideline, postage equipment rental and postage expenses should be recorded in the communications/telephones account.**

**Board member expenses should be recorded as part of miscellaneous expenses in the general administration function. The district may consider creating a new extended miscellaneous account to record board member expenses. The team realizes that this new extended board member expense account is not required by the Department of Education, but it provides a clear picture of the board's spending for future control.**

## **INSURANCE**

### **Millville Board of Education Property and Casualty Insurance**

The school district in Millville uses a local broker to obtain coverage for the district's workers' compensation and other forms of property and casualty insurance. The option that the broker has selected has been the full insurance marketplace rather than a joint insurance fund or a pooled insurance plan. The school business administrator supports this choice based upon a study done in the early 1990's justifying the district's methodology as being the most appropriate at that time.

Since 1992, the insurance marketplace has changed dramatically. In workers' compensation alone the introduction of managed care has resulted in significant reductions in indemnity costs for the district. The introduction and enforcement of safety plans and safe workplace procedures and the implementation of workplace injury knowledge to prevent future injuries also have been major contributors to changing this industry.

Joint insurance funds also do not pay a 7% uninsured workers' compensation tax that all employers pay when they have traditional insurance coverage in this area. The insurance companies are permitted to use investment income to offset premiums and this is how the insurance marketplace has responded to the competitive advantage that joint insurance funds had in New Jersey.

An analysis of what the district has done in the past three years for insurance does reveal how soft a market the property and casualty market has become. The district's net premiums have been reduced from \$533,379 in 1997-98 to \$358,677 in 1999-00. Testing the insurance marketplace and switching companies accounted for a majority of the savings. Insurance companies have become more competitive because of the loss of market-share and improved investment earnings. The coverage has increased for the district, yet the costs have been reduced.

Workers' compensation was the area of the largest savings, on an overall dollar basis. Switching companies and instituting managed care was very beneficial to the district's overall costs for workers' compensation. The district does have a very good claims history and this is reflected in the better-than-average experience modification the district possesses. The district can experience deeper savings through premium dividends if it maintains a strong safety record. According to the broker, the district can realize savings of over \$80,000 by having a safe record during the premium period.

There are a number of strategies that the district can employ to improve its safety record. The team suggests the following procedures:

- Establish a district-wide safety committee with representation from custodial staff, cafeteria staff, the district's broker, a representative from the business office, and all schools within the district.
- Establish a district-wide safety plan.
- Use the information about types of injury and locations to mitigate future injuries of the same type.
- Have safety inspections conducted regularly by supervisory staff and the insurer to make the district a safer place through time-tested mitigation techniques.
- Implement the suggestions of the safety inspections when practicable in order to prevent future injury.
- Establish policies and procedures to get the injured worker back to work as soon as possible. (The district already has a light duty policy in place, but hasn't regularly implemented it.)
- Hold regular safety committee meetings to discuss methods to create a safer working environment in the district.

### **Recommendation:**

**The team recommends that the district implement the recommendations concerning the establishment of a safety committee and safety procedures as outlined in the safety plan to improve its safety record.**

### **Potential Cost Savings: \$80,000 in Returned Premium**

The district can also employ two other strategies to reduce insurance costs while providing coverage for the district. The first is to eliminate the broker relationship and hire a risk manager. If the district were to enter into a contractual relationship with a risk manager on a fee basis, it



would ensure that the district's interests are primary. The other tactic involves pricing joint insurance funds as well as insurance pools on a regular basis to ensure that the district is getting the best price and coverage available. The funds, however, may not all recognize the good experience modification that the district has possessed over the past three years.

#### **Recommendations:**

**The district should contract for a risk manager and eliminate paying a commission based on the price of the insurance coverage recommended.**

**Total Cost Savings: Non-Quantifiable**

**The risk manager should continue to shop regularly for coverage but should expand the market to include both joint insurance funds as well as insurance pools. Given the competitive nature of the marketplace, the district has reaped a good deal of savings in this area, but should look at possible additional savings of 5% - 10% as a result of the expanded marketplace.**

**Cost Savings: \$14,000 - \$28,000**

#### **Millville Board of Education Health Insurance**

Millville Board of Education is insured with a private carrier and the district recently renewed its health insurance at an estimated annual cost of \$5,716,100 for the school year 1999-00. The cost for the health care portion is \$4,181,000, the prescription cost is \$846,500, the dental cost is estimated at \$581,200 and the vision is estimated at \$107,400. There were 740 employees enrolled at the time of renewal resulting in a projected annual average cost per employee of \$7,725 for insurance.

All of the employees in the healthcare plan are covered through one of two different managed care plans. A health care provider with an extensive network of physicians and hospitals in the South Jersey area constructed the plan designs. The review team conducted a comparative analysis of the plan's costs with the State Health Benefits Plan (SHBP).

Based on our analysis, the team estimated that the district could save \$330,000 by changing to the SHBP. The amount of savings is based on the plan participants switching back at statewide average rates for school districts in the SHBP. The plan design of the district's current preferred provider option contains better benefits than were available when the district was with the SHBP. This is reflected in the increases in enrollment in that plan. If the district is not willing or unable to undergo plan design changes in its current plan, it is the recommendation of the review team that the district switch back to the SHBP. However, the switch to the state's plan may result in higher out-of-pocket costs to the employee, depending on the plan selected.

The district can save more than \$330,000 by making plan design changes that either reduce the costs to the district through cost shifting to the employee, or by reduction of services and or costs of those medical services. The out-of-network utilization rate is high for the district, according to the broker. In order to save money, the plan design needs to modify participant behavior. This can be accomplished by changing plan design or by changing the difference in plan costs.

There are a number of possible plan design changes that reduce the cost to the employer. The district could negotiate charges for medical/surgical visits to reduce out-of-network utilization. The insurer estimates that the district could save about 6% from the \$3,125,000 premium on the PPO plan (\$187,500) by negotiating a 20% co-insurance charge for out-of-network medical/surgical charges. The district could also negotiate a change in the structure for deductibles and change co-insurance limits to higher levels. According to the health care provider, the district could save 4.9% or \$153,100 by changing from a \$100/\$200 deductible to a \$200/\$400 deductible and changing the co-insurance limits from \$400/\$1,000 to \$1,000/\$2,000. The district could also negotiate a change in the out-of-network co-insurance rates from 80%/20% to 70%/30%. This would result in approximate savings of 2% or \$62,500. The HMO plan could also undergo some minor plan design changes to increase deductibles resulting in savings of about 2.8% of the \$1,056,000 premium or \$30,000.

### **Plan Design Changes**

| <b>Savings Method</b>   | <b>PPO</b> | <b>HMO</b> |
|-------------------------|------------|------------|
| Med./Surgical Savings   | \$187,500  | -----      |
| 70%/30% Co-pay          | \$62,500   | -----      |
| Deductible/Co-insurance | \$153,100  | \$30,000   |
| Total                   | \$403,100  | \$30,000   |

An alternative to these plan design changes would be to use the lower cost plan, the HMO, as the benchmark plan. This would mean participants could choose either plan design but would be required to pay the difference between the plans. This change, combined with a change in deductibles, would result in savings of \$459,300.

Any changes proposed by the district need to be negotiated with the association. It is the recommendation of the team that the district use the SHBP as the cost standard for the plan provided for its employees. It is in the district's long term interest to either return to the SHBP or lower their effective costs for healthcare to competitive rates using changes in plan design and cost-sharing techniques to accomplish this goal. The team outlined two different strategies to accomplish this goal. The district and broker can employ either of these strategies or implement other methods of changing plan design to reduce costs.

### **Recommendation:**

**The district should either negotiate one of the plan designs outlined above to reduce the costs of healthcare, or return to the SHBP. Depending upon the strategy the district follows, the savings would be between \$330,000 and \$459,300.**

**Potential Cost Savings: \$330,000 - \$459,300**

The district also limits paid benefits for new employees to single coverage. If that new employee needs other-than-single coverage the employee is required to pay the difference until the third

year of employment at which time the district assumes the additional cost. The district also will pay employees whose spouses work in the district to forego coverage. The review team found that the savings realized from single coverage for new employees were low.

Local Government Budget Review recommends a 20% other-than-single co-pay provision for all employees, which would apply to a broader base of employees. That provision would effect a saving of \$441,000 based on the present employee profile. However, if the district were to negotiate either of the cost-sharing strategies outlined in the table entitled “Plan Design Changes” shown above, the savings would diminish to \$393,900 - \$395,800 depending on the cost-saving strategy the district negotiated.

### **Recommendation:**

**The district should negotiate a 20% other-than-single co-pay for all employees.**

**Potential Cost Savings: \$393,900 - \$441,000**

### **Prescription Plan**

The district experienced a 19% increase at renewal for its prescription plan. The estimated cost for the prescription plan in 1999-00 is about \$846,500. For the district to reduce the cost of the prescription plan, the number of prescriptions per employee must be reduced or the average cost per prescription must be reduced. Both of these strategies can be addressed through proactive pharmacy management. At the present time the district has a \$0/\$5/\$10 co-pay program; no co-pay for mail order, \$5 for generic medications and \$10 for brand name prescriptions. The review team, in conjunction with the broker and the pharmacy administrator, developed a strategy to lower the prescription costs to the district.

Recently several pharmacy administrators have instituted a three-tier co-pay strategy that can lower the effective costs to the district by lowering the average costs per prescription for certain higher priced medications. If these drugs are placed outside the district’s drug formulary and are charged a third co-pay of \$25, the district could realize savings as a result of increased co-pays and possible changes in medications. A pharmacy administrator estimated that these savings would be in the order of 7% to 9% or \$59,300 - \$76,200.

Another method of instituting change in the prescribing behavior of doctors would be to establish a mandatory other-than-generic pricing formulary. This approach has the potential for generating savings of 9% to 12% or \$76,200 - \$101,600. The combination of these two concepts would result in savings that would amount to 11% to 15% or \$93,100 - \$127,000. Instituting co-pays for mail order will not significantly affect utilization of this service but would lower plan costs. The decrease in costs associated with elimination of the no co-pay provision would be about \$10,600 or 1.25%.

The district could also institute an integrated pharmacy management program where a pharmacist reviews prescriptions and makes suggestions for changing a prescription regimen in consultation with the insured’s doctor. The savings through pharmacy management are estimated to be 3% to 7% or \$25,400 - \$59,300.

**Recommendation:**

**The district should negotiate the cost-saving strategies outlined above to lower the current costs of the prescription plan and also future increases.**

**Potential Cost Savings: \$95,300 - \$197,000**

**Dental Benefits**

At the time of the review, the district's dental plan had received a two-year rate guarantee with only a 3% increase this year (1998-1999). The district has a dental program that offers a great deal of service for a relatively low cost, but it does not include any premium sharing techniques. The State of New Jersey charges 50% of the premium to its employees. If Millville were to institute a 50% premium co-pay, the district would save \$290,600 of the total premium of \$581,200.

**Recommendation:**

**The district should institute a 50% premium co-pay.**

**Potential Cost Savings: \$290,600**

**Vision Plan**

The district's vision plan was recently renegotiated at half the rate of the former plan with a three-year rate guarantee. Currently the district expects to spend \$107,400 or about \$145 per employee. The district offers a plan that is a supplement to its health care provider's add-on vision package. The broker indicated that the combination of the plans keeps the costs in check. The district can further lower costs by replacing the secondary insurance with a direct reimbursement to the insured, not to exceed \$50 per year, for vision costs in excess of the managed care provision. This could lower the effective costs by about 65% or \$70,000.

**Recommendation:**

**The district should eliminate the supplemental vision coverage and replace it with a direct payment plan not to exceed \$50 per year.**

**Potential Cost Savings: \$70,000**

**Broker Relationship**

The district has an excellent relationship with its broker. The district also provides a good benefit package for its employees and the broker assists the district in controlling insurance by identifying cost-saving strategies. Many Fortune 500 companies follow a practice of paying a risk management fee in lieu of having a commission paid out of proceeds of the insurance. This ensures two things: a clarification of roles and services, and a clear delineation of the cost of the representation fee.

**LGBR commends the district and its broker for carefully monitoring its insurance costs.**

**Recommendation:**

The district may wish to consider a risk management contract for a fee to replace the present commission arrangement with its broker.

**Cost Savings: Minimal**

**FACILITIES & OPERATIONS****Overview**

The Millville schools' instructional facilities consist of approximately 667,300 square feet of space in nine educational facilities. The general observed condition of the facilities is good in the elementary schools and the high school and fair in the intermediate school (Memorial High School), based upon the age, configuration, and use of the building.

**School Facility Profile**

|              | <b>Type</b> | <b>Enrollment (Oct 98)</b> | <b>Square Footage</b> |
|--------------|-------------|----------------------------|-----------------------|
| Primary      | PK – 7      | 3,514                      | 402,000               |
| Intermediate | 8 – 9       | 917                        | 95,800                |
| High School  | 10 - 12     | 1,515                      | 169,500               |
| <b>Total</b> |             | <b>5,946</b>               | <b>667,300</b>        |

**Custodial Staffing**

As part of the review process, to identify potential cost savings within the district, the review team identified custodial staffing needs using an objective, quantitative, multi-step process based upon the size and use of each facility. The process calls for:

- Reviewing any existing district work and time standards for the various cleaning tasks within each school facility.
- Reviewing the custodial labor contracts to determine the number of man-hours within a negotiated workday and then reducing the workday by an inefficiency/rest allowance factor of 25%.
- Obtaining floor plans of the facilities and inserting task data into the following matrix adopted from “The Custodial Staffing Guidelines for Educational Facilities” published by The Association of Higher Education Facilities Officers and “Good School Maintenance” published by Illinois Association of School Boards, to determine total cleaning time for each facility.

| <b>Typical School Areas</b> | <b>Average Size Sq. Ft.</b> | <b>Cleaning Time in Minutes</b> |
|-----------------------------|-----------------------------|---------------------------------|
| Cafeteria                   | 10,000                      | 150                             |
| Classrooms                  | 1,200                       | 15                              |
| Corridors                   | 1,000                       | 5                               |
| Entrances                   | 112                         | 5                               |
| Gymnasiums                  | 10,000                      | 45                              |
| Laboratories                | 324                         | 20                              |
| Library/Music               | 15,000                      | 30                              |
| Locker Rooms                | 1,960                       | 25                              |
| Offices                     | 1,200                       | 8                               |
| Offices With Carpet         | 1,200                       | 12                              |
| Restrooms                   | 150                         | 20                              |
| Shops/Art/Home Economics    | 1,200                       | 30                              |
| Stairways                   |                             | 8                               |
| Teachers' Lounges/Café      | 1,200                       | 20                              |
| Auditorium                  | 10,000                      | 150                             |
| Multipurpose/Gym/Café       | 10,000                      | 210                             |
| Multipurpose                | 2,400                       | 40                              |

Note: The average time standard can be adjusted to reflect actual sq. ft. proportional to the standard sq. ft for an activity.

- Dividing this total of minutes by the total man-hour minutes available (after adjusting by the inefficiency factor). The result is the headcount needed to clean the facility.
- Comparing actual and computed employee counts to determine if any staffing adjustments can be recommended.

The review team completed the above analysis for each Millville school to determine the staffing required to perform night cleaning in addition to establishing daytime requirements for basic (statutory) boiler maintenance and porter services.

During the period of review, the Millville schools had eight head custodians who supervise the custodial staff, provide porter services and perform minor repairs, one custodian providing daily porter services and 35 custodians doing night (or split-shift) cleaning of the schools as follows:

|              | <b>Head Custodian/<br/>Porter Services</b> | <b>Custodians/<br/>Cleaning</b> | <b>Total Custodial<br/>Staff</b> |
|--------------|--|---------------------------------|----------------------------------|
| Primary      | 6  | 21.5                            | 27.5                             |
| Intermediate | 1  | 5                               | 6                                |
| High school  | 2  | 8.5                             | 10.5                             |
| <b>Total</b> | <b>9</b>                                   | <b>35</b>                       | <b>44</b>                        |

NOTE: One custodian works one half a day in the High School and half a day in the Child Family Center.

As a result of the review team's analysis, it was determined that the current staffing level is appropriate in accordance with the above methodology. While there are some minor variations in shift assignments, these should be at the district's discretion. The present staffing is aligned to the cleaning needs of the district and the district is commended for an effective allocation of custodial personnel.

### **Cost of Operations**

The review process for identifying potential cost savings within school districts' Comprehensive Annual Financial Report (CAFR) consists of the following:

1. Perform a square footage analysis for the district and compare the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review teams. ( Regional benchmarks are taken from *The American School and University Journal*, a national publication which provides information concerning facility maintenance and management). The ASU performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost of operating schools (including payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies, etc.) on a regional level. Region 2 includes New York and New Jersey).
2. Identify and investigate budget lines and accounts that appear to be high in relationship to regional benchmarks and/or other districts.
3. Provide additional recommendations based upon "best practices" (programs and/or efficiencies identified in other school districts or municipalities that may be applicable in Millville).

The following table summarizes the Millville School District's cleaning, maintenance, grounds and utility costs per square foot (SF) for the 1997-98 school year:

| Category                                | Expense (\$)     | Expense (\$)/SF | Expense (\$)/SF |
|---|------------------|-----------------|-----------------|
|   | Millville        | Millville       | OCT 97 ASU      |
| <b>CLEANING</b>                         |                  |                 |                 |
| Salaries                                | 1,272,995        | 1.91            | 1.81            |
| Supplies                                | 80,853           | 0.12            |                 |
| <b>Subtotal – Cleaning</b>              | <b>1,353,848</b> | <b>2.03</b>     | <b>1.81</b>     |
| <b>MAINTENANCE</b>                      |                  |                 |                 |
| Salaries                                | 305,896          | .46             | .52             |
| Supplies                                | 130,330          | .20             | .27             |
| Contracts                               | 1,913,924        | <b>2.87</b>     | .35             |
| Miscellaneous                           |                  |                 |                 |
| <b>Subtotal – Maintenance</b>           | <b>2,350,150</b> | <b>3.52</b>     | <b>1.14</b>     |
| <b>Total Cleaning and Maintenance</b>   | <b>3,703,997</b> | <b>5.55</b>     | <b>2.95</b>     |
| <b>GROUPS</b>                           |                  |                 |                 |
| Salaries                                | 113,150          | .17             | .27             |
| Supplies                                | 36,976           | .06             | .08             |
| Contracts                               |                  |                 |                 |
| <b>Subtotal – Grounds</b>               | <b>150,125</b>   | <b>.22</b>      | <b>.35</b>      |
| <b>UTILITIES</b>                        |                  |                 |                 |
| Natural Gas                             | 183,924          | <b>.28</b>      | .40             |
| Electricity                             | 918,866          | <b>1.38</b>     | .70             |
| Water/Sewer                             | 214,367          | .32             | .18             |
| Other Fuel                              |                  |                 | .27             |
| <b>Subtotal - Utilities</b>             | <b>1,317,157</b> | <b>1.97</b>     | <b>1.55</b>     |
| <b>Total Grounds and Utilities</b>      | <b>1,467,283</b> | <b>2.20</b>     | <b>1.90</b>     |
| <b>TOTAL Maintenance and Operations</b> | <b>5,171,280</b> | <b>7.75</b>     | <b>4.85</b>     |
| <b>INSURANCE</b>                        | <b>263,810</b>   | <b>.40</b>      | <b>.13</b>      |
| <b>GRAND TOTAL</b>                      | <b>5,435,090</b> | <b>8.14</b>     | <b>4.98</b>     |

The budget lines that appeared to be high in relationship to the benchmarks are highlighted in gray and include contracts, utilities and insurance. The insurance amount for property and casualty is high, in part, because the district has been renovating (and insuring) the Lakeside Middle School during the 1997-98 school year. Adjusting for the additional square footage in Lakeside, the insurance cost expressed on a square foot basis, would decrease from \$.40 to \$.33 per square foot. However, please refer to the **Insurance** section of this review for additional comments.

The district's gas and electricity expenses are approximately \$.56 higher per square foot than the AS&U regional benchmarks (\$1.66 versus \$1.10 per square foot). These expenses, however, are consistent with other school districts reviewed in the South Jersey Gas/Conectiv service area.



## **Maintenance Contracts**

A detailed analysis of the maintenance accounts indicates that the district's salaries for maintenance staff is within regional benchmarks. However, the cost of maintenance contracts was \$2.52 per square foot higher than the benchmark, a significant difference, and higher than any district recently reviewed by Local Government Budget Review teams. A further analysis revealed that this difference was due largely to the district reporting non-facility expenses (e.g., copier and musical instrument maintenance) and capital outlay (major roof repairs, floor replacements, auditorium renovation, etc.) in the CAFR Operating and Maintenance of Plant Services, Maintenance Services account. When these charges were backed out for analysis purposes, the total amount for legitimate maintenance contracts was reduced to \$700,000 or \$1.05 per square foot, which is still significantly higher than the benchmark. Of this total, approximately \$150,000 or \$.23 per square foot was attributed to one contract for energy management services.

Generally, there should be a reciprocal balance between a district's maintenance salaries/supplies and contracts. Some districts clearly have a preference for doing maintenance work "in-house" over contracting out, and vice versa. There are also some highly technical and specialized work requirements that almost all districts contract for (e.g., fire alarm and boiler testing and inspections) or required contracts (e.g., waste removal).

While Millville clearly seems to demonstrate a preference for contracted maintenance, their maintenance salaries and supplies are consistent with the regional benchmark. This usually means that maintenance staff is performing renovation work instead of maintenance and repairs. However, without a work order system in place, it is not possible to quantify this assumption.

The review team would encourage the district to track and monitor expenditures for contracts and agreements covering the maintenance and repair of buildings and building equipment in accordance with New Jersey Department of Education Budget Guidelines pursuant to the Comprehensive Educational Improvement and Financing Act of 1996. In conjunction with the implementation of a work order system that tracks the labor and material cost of district repairs (see following recommendation), a comparison of the cost effectiveness and benchmarking of in-house versus contracted services, would be possible. It is likely that a minimum of 10% of the estimated "actual" \$550,000 contract costs could be saved, or \$55,000 per year. However, without proper documentation to support this estimate, the review team is not recommending these specific savings.

## **Work Order System**

The district does not maintain an effective work order system to track, schedule, assign, and plan facility related work. While it has purchased maintenance management software (*Service Call*), it has not been implemented. In districts such as Millville, a work order process can easily integrate the requirements of cleaning, maintenance (both contracted and in-house) and grounds with the scheduling and use of facilities, which will help control the need for overtime and per diem replacements. The district's overtime and per diem custodial costs are reasonable for the size of the district (approximately \$30,000 in overtime and \$80,000 for per diems in the 1997-98 school year, or 7% of total facilities payroll). However, it is estimated that a work order system could reduce this amount by a minimum of 10% or \$11,000. In addition, planning and

scheduling projects in advance and purchasing materials to be used in these projects through the bidding process will also allow the district to reduce supply cost (\$248,159 in 1997-98) by up to 10% or approximately \$25,000. It can also provide regular reports to school principals on the status (and prioritization) of open work orders.

The district should either implement the existing software or internally develop a simple computerized work order system to meet these goals. The district could develop an internal system in *Microsoft Access* with associated training for district staff.

### **Recommendation:**

**Implement a PC-based work order process for the planning and scheduling of work and coordination of school usage. Improved efficiency should reduce the dependence on per diems and overtime and reduce material cost by 10%.**

**Cost Savings: \$36,000**

### **Purchasing and Warehouse**

Purchasing activities for the district are under the purview of the assistant board secretary who has the responsibility for coordinating all bidding activities, warehouse operations, and for monitoring affirmative action of vendors and right to know requirements, in addition to transportation services. The purchasing staff includes a part-time secretary and a custodian who serves as warehouseman and makes deliveries to schools. Assuming that 50% of the assistant board secretary's time is dedicated to purchasing and warehousing activities, total administrative cost for the operation is approximately \$85,000.

The district procures goods and services through a combination of quotations, advertised bids, State of New Jersey contracts and purchasing cooperatives as allowed under the public schools contract law. Millville is to be commended for taking the lead in purchasing custodial supplies, medical supplies and copy paper for a consortium of surrounding elementary school districts including the townships of Woodbine, Lawrence, Maurice River, Downe, Commercial and Deerfield. The commodities are delivered to the warehouse where the districts pick them up. Millville does not charge for this service. Millville also participates in the Cumberland County Educational Cooperative for specific food and transportation services and with Pittsgrove Township for the purchase of paper.

During the 1997-98 school year, the district processed approximately \$350,000 of inventory through the warehouse. Administrative overhead (fixed costs) were approximately 16% or \$54,000 including the delivery van (insurance and fuel), salary and benefits for the warehouseman/driver, and utilities.

The warehouse includes administrative office space for the purchasing, transportation and food service programs and is also used for the disposal of surplus furniture and equipment. Accordingly, it offers significant operational advantages to the district.

However, the district needs to monitor the fixed costs to assure that any savings afforded through the warehouse operation balance these operational advantages. Bulk purchasing, and the ability to secure lower delivery cost through a single delivery point, should offer savings in the range of 10-20% of total purchases. Currently, the district's fixed costs are 16%.

The efficiencies and advantages of the warehouse in both reduced cost and convenience (to both Millville and other districts) could be enhanced in several ways. The district could increase the volume of commodities purchased by adding additional districts to the cooperative, expand the variety of commodities offered to other districts and/or effect a fee for services.

For example, during the 1997-98 school year, of \$350,000 in total volume, approximately \$32,000 of goods and supplies were distributed to participating districts. If total volume were increased to \$425,000, the rate of fixed costs would decrease from 16% to 13%. If an administrative fee of 6% were assessed to participating districts (consistent with the fee charged by County Educational Service Commissions), fixed costs would be reduced to 12%.

### **Recommendation:**

**Monitor fixed warehouse costs to take advantage of bulk purchasing savings. Consider expanding cooperative purchasing to other additional school districts and assess an administrative fee for cooperative purchasing services.**

### **Accounts Payable**

The accounts payable operation is under the purview of the school business administrator (SBA). All requisitions are approved by the SBA and processed through accounts payable. As indicated above, bulk purchases are processed through purchasing and forwarded to accounts payable for payment. Textbooks and workbooks are processed through the schools and forwarded to accounts payable for payment. Utility bills, supplies for buildings and grounds, travel reimbursements, vehicle maintenance and leases, groceries for the "Latch-Key" and Home Economics programs and service contracts are processed through accounts payable. In addition to accounts payable responsibilities, the office also handles the district's deposits and bank reconciliations.

With a staff of two secretary/clerks, total administrative costs for this operation are approximately \$65,000 per year. During the 1997-98 school year, accounts payable processed a total of 9,800 purchase orders and 7,332 vendor checks for over \$56 million in payments for goods and services, capital-projects, student activities and personnel services. This represents an average of 408 purchase orders (305 checks) per FTE per month, which is an acceptable level of production for these types of transactions.

### **Facility Utilization**

The district introduced a "phased" realignment of grades for the 1999-00 school year consistent with the opening of the new Lakeside Middle School. According to district plans, by the 2000-01 school year, Lakeside will be utilized as a 6<sup>th</sup>-8<sup>th</sup> grade school and the Memorial High School

will be used for 9<sup>th</sup> grade only for approximately 560 students, based upon current projections. The existing capacity of Memorial High School is 815 students, which would introduce 31% inefficiency for utilization of this facility.

With under-utilization, there are still fixed costs associated with the use of a facility (custodial salaries and benefits, utilities, garbage removal, etc.). As both an efficiency and cost-savings measure, the review team is recommending that the district construct an addition at the Senior High School for the 9th grade and close the Memorial High School.

Utilizing State of New Jersey standards for new school construction, a 50,000 square foot addition would accommodate all the instructional needs for 560 students (including classrooms, laboratories, special education, media center, multi-purpose, dining, instructional support, and central service space plus allow 40% for circulation consistent with Abbott guidelines). The existing gymnasium and auditorium at Senior High School would accommodate the entire (9-12) student body.

For planning purposes, utilizing a range of \$110 to \$125 per square foot for new construction cost, approximately \$5.5 to \$6.2 million would be required for the addition. (Construction costs would most probably be lower). According to district records, the Silver Run School was constructed in 1992 for approximately \$81 per square foot. Allowing three percent per year for inflation, construction cost under \$100 per square foot could be possible. In addition, the district Abbott Facilities Management Plan includes a request for \$14.3 million to upgrade the Senior High School including the construction of six science labs and a new media center. By including the proposed addition, as a single project, economies of scale on design and administrative costs should be realized.

Operating costs for the addition are estimated at \$3.53 per square foot or \$166,000 annually consistent with current Senior High School costs for maintenance, supplies and utilities, and custodial staffing consistent with LGBR recommendations (3 additional staff).

For the 1997-98 school year, operating costs at Memorial High School were approximately \$420,000. In addition, \$7.7 million to upgrade the facility (which again, would accommodate the 9<sup>th</sup> grade only) is included in Millville's Abbott Districts Facilities Management Plan School Project Summary Report which was submitted to the New Jersey Department of Education for review.

Accordingly, if \$20,000 in operating costs were continued to provide minimal heat and maintenance to "mothball" the Memorial School pending a sale or identification of an appropriate municipal or district use, the following savings would be realized:

|                        | <b>Memorial H.S.</b> | <b>Proposed Addition</b> | <b>Savings</b>    |
|------------------------|----------------------|--------------------------|-------------------|
| <b>Operating Costs</b> | \$400,000            | \$166,000                | <b>\$234,000</b>  |
| <b>Capital Costs</b>   | \$7.7m               | \$5.5-6.2m               | <b>\$1.4-2.2m</b> |

LGBR recognizes that within the community, there is a deep and long tradition associated with the Memorial High School. The Senior High School football games, a major source of local pride, are played at the Memorial High field adjacent to the facility. The use of the football field can and should continue.

The district has also indicated that they may have several “potential” uses of the facility down the road, including a possible fee-based special education program that could attract students from surrounding districts and be self-supporting. LGBR would support this type of use. However, until a final plan is established and the costs identified, the review team did not feel that any instructional or financial advantage could be gained by keeping the school open for 9<sup>th</sup> grade use only.

### **Recommendation:**

**Construct an addition at the current site of the Senior High School to accommodate the district’s 9<sup>th</sup> grade program. Close the Memorial High School until an appropriate municipal and/or school use is identified (and capital costs established and approved). The district should continue to utilize the athletic facilities adjacent to the Memorial High School.**

**Cost Savings: Operating Costs \$234,000**

**Cost Savings: Capital Costs \$1,450,000 - \$2,200,000**

## **TRANSPORTATION**

The Millville transportation unit is housed in the district warehouse located within the industrial park on Orange Avenue. All of the district’s transportation needs are met through contracts with private vendors and the county consortium. The unit’s only staff member is the transportation coordinator who has been employed by the district for 18 years, the past three years as coordinator.

During the 1997-98 school year, the district provided transportation for approximately 3,140 students on a daily basis. The district contracts, through private vendors, 102 routes for its in-district transportation needs. The district also contracts, through the county consortium, 30 out-of-district routes for special education and homeless students, and 10 routes for private school students. There is one parent contract for the transportation of one autistic child. As a deterrent to vandalism, the district installed video camera boxes in all in-district route buses. A breakout of the students transported indicates that there are approximately 1,358 public school students, 229 private school students, 258 special education students and 1,295 courtesy bused students.

For the past three years the transportation unit has used a computerized routing program to maximize bus utilization. For the 102 in-district routes, only four buses do not make multiple runs and that is due to the areas traveled and time constraints. All other buses are used on multiple runs of at least two trips and some make as many as six trips. By DOE standards Millville’s bus utilization rate is 1.205 or a rank percentile rating of .86.

The standard which the State Department of Education has set for all school districts is 120% of vehicle capacity (some buses would have to be used for more than one route). Vehicle capacity is based upon 90% of the total number of seats available for district use. The vehicle utilization percentage is calculated by dividing the total number of eligible regular public, non-public and special education students without special needs who received transportation services, by the vehicle capacity. Districts whose vehicle utilization falls below 75% must develop a corrective action plan outlining how they intend to improve. The plan must be presented by the superintendent to the local school board for a public meeting and adoption, prior to submission to the commissioner no later than September of the following school year. Millville's efficiency rating exceeds the minimum vehicle utilization required by the state.

A review of the 1997-98 Comprehensive Annual Financial Report shows the district budgeted \$1,410,173 for student transportation and spent \$1,389,646. The district received \$761,212 in state aid for transportation. Contracted services between school and home totaled \$637,357, transportation for special education students totaled \$511,961, and transportation for sports and co-curricular activities totaled \$101,320. The cost for summer school busing was \$15,965. Salaries, software maintenance, travel expenses, transportation insurance and supplies totaled \$71,743. For the school year 1997-98, the district's aid in lieu of payments totaled \$50,962. Under Title 18A:39-1, the district may make payments to parents/guardians for students attending non-public schools who are eligible for transportation instead of providing transportation. The maximum amount for this reimbursement, which is set by the State Legislature, was \$675 per student in 1997-98.

The overall average cost of transporting each student to and from school during the 1997-98 school year was approximately \$382 per student. This cost is well below the American School & University (AS&U) average of \$471.90 per student for region two (NY/NJ). Looking further, a review of the two major components of transportation costs, public/non-public and special education transportation, shows a vast difference between the costs for these services. Currently, the district transports approximately 2,880 public/non-public school students, which is 91% of the transported student population, at a cost of \$637,357. This equates to an average of \$221 per student. Special education transportation by its nature is more costly. Typically these runs are more costly due to regulations, guidelines, requirements, and distances traveled. The district transported approximately 258 special education students at a cost of \$511,961 or an average cost of \$1,984. While this may seem high, it is approximately one third less than the special education transportation costs for other districts the team reviewed.

While it is obvious that the district pays close attention to its transportation costs, the team noticed one area that the board should address, and that area is courtesy busing. Courtesy busing is defined as transporting elementary students who live within two miles of their school and secondary students who live within 2.5 miles of their school. State code sets these parameters and districts receive no state aid for transporting students who fall short of these minimum distances. As a result, all taxpayers in the district bear the cost of this program.

Courtesy bused students make up a large portion of the district's daily transportation operation. Of the 3,140 students transported daily 1,295 or 41% are classified as courtesy bused. While eliminating courtesy busing would not reduce the board's in-district cost by 41%, moving this

many students certainly has an impact on its transportation budget. In 1996 legislation was passed to allow subscription busing. This gives the board the ability to charge parents for transporting students who live within the limits set by DOE.

If the district were to charge each student who is receiving courtesy busing one third of the in-district cost, (\$74), the district would save approximately \$95,389. Subscription busing not only would reduce the district's operating cost, but would also redirect some of the cost to the parent and away from the other taxpayers in Millville.

**Recommendation:**

**The board should consider a subscription busing program to reduce its operating cost and shift a portion of the burden for subscription busing to the parent rather than the other taxpayers of Millville.**

**Cost Savings: \$95,389**

## **FOOD SERVICES**

### **Food Services**

An extensive review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to school kitchens and cafeterias to observe operations, and the analysis of various documents. A careful analysis was done of the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the 1997-98 school year.

According to budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund and not within the general fund of the budget. Any contribution made by the board toward the food service operation is reported as a lump sum contribution to cover any deficits. These costs should not be included elsewhere in the budget. The Millville Board of Education appropriately records the cafeteria operation. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services be financed through user charges.

Two years ago, the district conducted a study of its food service program. As a result of that study, an experienced food service director from a private food company was hired to operate the food program. The food service director monitors the food program closely, including the daily operation and cost efficiency. That was indicated in the monthly analysis of the food cost and labor cost calculations which were prepared by the director.

The district has eight production kitchens located in the high schools and the elementary schools. There are three satellite kitchens located in the Child Family Center, the Academy and the Alternative School. Lunch and breakfast are prepared in production kitchens before being delivered to the satellite schools. School lunches, breakfasts, food for meetings, and special

functions are prepared in the production kitchens. Food is also prepared in the production kitchen for the Child Program which is the major source of Special Function revenue. For school or board meetings, most food is purchased from local supermarkets or catered by outside vendors. The team determined that \$20,458 was spent for groceries for meetings and \$14,684 for catering services in school year 1997-98. One catering service vendor was awarded \$12,684 for its services in 1997-98. The cost for a meal from this caterer, which included a sandwich and a salad, was between \$8.50 and \$15 per person.

Millville currently charges \$1.40 for a student lunch in the elementary school, and \$1.50 in the high school. Teachers and staff members can purchase lunch for \$2.20. The charge for breakfast is \$.65 for students and \$1.00 for teachers and staff members. The participation rates are very high in the district, which indicates a good level of satisfaction with the program among students.

Millville School District is using the punch card system for the food program. Meal tickets are issued in the high school every other week. In the elementary schools, teachers issue meal tickets daily. Meal tickets are punched when lunch is received.

Staffing for the food service program includes 97 employees. There are eight managers, five assistant managers, eight cooks, one assistant cook, five bakers, 43 cafeteria workers and 28 cafeteria aides. Fifty employees work more than 20 hours per week and these employees receive full family coverage health benefits. Forty-seven food service employees work less than 20 hours (10 to 17.5 hours) and they receive no benefits. The review team found that employee benefits and FICA taxes for the food service staff were not charged to the enterprise fund. An estimated \$349,642 for benefits and \$66,492 for FICA tax were paid by the board from the general fund. This represented an unreported deficit in the food service program. The board had reported a surplus of \$82,101. With the cost of the benefits and payroll taxes, the actual deficit was approximately \$334,033. The salaries for cafeteria aides were incorrectly charged to the enterprise fund account. The main responsibility for cafeteria aides is to monitor students' behavior. According to the Education Department Budget Guidelines, lunch aides' salaries should be reported in the general fund. With the adjustment of \$97,033 for lunch aides' salaries, the deficit was reduced to \$236,999. The following table illustrates the actual profit and loss for the food service program:



|  |                       |
|--|-----------------------|
|  | <b>1998</b>           |
| <b>Operating Revenues:</b>                         |                       |
| School Lunch Program                               | \$282,468             |
| School Breakfast Program                           | \$8,199               |
| Daily Sales Non-Reimbursement Programs             | \$389,594             |
| Special Functions                                  | \$13,016              |
| <b>Total Operating Revenue</b>                     | <b>\$693,277</b>      |
| <b>Non-Operating Revenues:</b>                     |                       |
| State School Lunch Program                         | \$40,845              |
| School Breakfast Program                           | \$164,528             |
| National School Lunch Program                      | \$640,913             |
| USDA Commodities                                   | \$87,063              |
| Interest Revenue                                   | \$1,905               |
| Total Non-Operating Revenues                       | \$935,254             |
| <b>Total Revenue</b>                               | <b>\$1,628,531</b>    |
| <b>Operating Expenses:</b>                         |                       |
| Salaries   | \$855,244             |
| Purchased Property Services                        | \$22,425              |
| Depreciation                                       | \$11,049              |
| Cost of Sales                                      | \$657,712             |
| <b>Total Operating Expenses</b>                    | <b>\$1,546,430</b>    |
| <b>Net Income</b>                                  | <b>\$82,101</b>       |
| Adj. Salaries for Lunch Aides                      | \$97,033.93           |
| Net Income before Board Benefit Adjustment         | \$179,134.93          |
| Adj. Benefit paid by General Fund                  | (\$349,642.00)        |
| Adj. FICA Tax on Payroll                           | (\$66,492.00)         |
| <b>Total Net Income or (loss) After Adjustment</b> | <b>(\$236,999.07)</b> |

Salaries for the hourly cafeteria employees range from \$6.50 to \$12.86 per hour. Overtime pay was awarded to those employees who work over 40 hours per week or to those food workers required to return back to work from home. The enterprise fund expended \$10,494 on overtime in school year 1997-98.

The average number of meals produced per labor hour per employee for all full-service kitchens in Millville is 13.6 (based on the district's operating statement) while the market average is 15. The average in the Abbott districts is 12 meals per employee. Millville's average meal per labor hour is above the Abbott district average and below the market. The higher productivity is in the Senior High, Memorial and the Silver Run School with 15 to 17 meals per labor hour. Mt. Pleasant has the lowest productivity among the schools in Millville with 9.6 meals per labor hour.

The students in elementary school have a 20-minute lunch and a 10-minute playtime. The number of lunch periods varies from school to school ranging from five to eight lunch sittings.

A concern was raised by district staffs that a 22-minute lunch period for High School students is not enough time. For example, in the high school cafeteria four cashiers serve about 250 to 300 students for lunch within 20 minutes.

The food service director of Vineland City Board of Education is coordinating a “joint purchasing consortium” for grocery items used in the food service programs throughout southern New Jersey. Most local schools participate to make this joint purchasing consortium work. Lower prices are generally offered with large quantity purchases. Millville is one of the most active members, and purchased more than 95% of its groceries from this program. All members meet once a month to share ideas and menus from their individual food programs. The team supports this good practice.

Inventory was maintained on a first in, first out basis. Inventories were physically checked every month.

#### **Recommendations:**

**Sandwiches and salads for meeting or special functions could be prepared in the district rather than purchasing these items from outside vendors in order to reduce cost.**

**Cost Savings: \$6,000**

**Increase the lunch prices to the state level. The state lunch prices are \$2.25 for high school, \$2.00 for middle school and \$1.85 for elementary school students. The breakfasts are \$1.30 for high school, \$1.10 for middle school and \$1.00 for elementary school. Such price increases could bring in additional revenue of \$120,273 based on current sales. The New Jersey Administrative Code N.J.A.C. 6:20-9.9b requires that adult meal prices be established to cover all costs associated with production and service of the adult meal. In this case, adult lunch should be at least \$.40 more than the price of a student’s lunch and \$.30 more than the price of a student’s breakfast.**

**Cost Savings: \$120,273**

**New rules adopted by the State Health Benefits Commission on September 21, 1995 effective October 16, 1995 now permit school districts to set a higher work week standard before an employee is considered “full-time” and eligible for benefits. Currently state employees must work a minimum of 35 hours a week to qualify for paid benefits. It is recommended that the district review this issue. This change to the eligibility standard used by the state would result in a saving of \$267,159.**

**Potential Cost Savings: \$267,159**

**All expenses related to food service should be recorded in the enterprise fund, including employee benefits and payroll taxes.**

**According to the Department of Education Budget Guidelines, all salaries paid to teachers and lunch aides to supervise students during lunchtime should be reported as teachers’**

**salaries and function 260 (Operation and Maintenance of Plant Service) for lunch aides. If employees work in the cafeteria serving or preparing lunch, their salaries should be recorded in the enterprise fund.**

**The district should review its present lunch schedule in the high school to determine if adequate time is allowed to serve lunch.**

## **BOARD OF EDUCATION**

### **Board Member Expenses**

According to the Department of Education Budget Guideline, all board member expense should be recorded as part of the miscellaneous expense in the general administration function. In the Millville school district, board member expenses were commingled in the supplies and materials account. An account analysis for the supplies and materials account was conducted which revealed that \$39,898 was related to board member expenses. Therefore, supplies and materials expenses were overstated and miscellaneous expense was understated in the Comprehensive Annual Financial Report in the amount of \$39,897.

Most of the expenses were for membership dues (\$24,189) to NJSBA. Other board member expenses include registrations (\$6,139), subscriptions (\$602), travel (\$4,843), food (\$2,969) and miscellaneous expenses (\$1,155).

The board has a policy for board member expense reimbursement. Dollar limits for travel, lodging and meal expenses are set in the reorganization meeting every year. The board also approved \$250 per year for board members' spouses to attend professional meetings and workshops with the board members.

### **Recommendations:**

**According to the Department of Education Budget Guidelines, all board member expenses should be recorded as part of the miscellaneous expense in the general administration function. The district may consider creating a new, extended miscellaneous account to record board member expenses. The team realizes that this new, extended board member expense account is not required by the Department of Education, but it provides a clear picture of board expenditures for future control.**

**It is the position of LGBR that expense allowances for the spouses of board members to attend conferences and workshops are not appropriate district expenses. It is recommended that the board review its current policy of reimbursing board members for expenses related to spouses' attendance at meetings and workshops.**

### III. COLLECTIVE BARGAINING ISSUES

LGBR reviewed six collective negotiated agreements that are currently in effect in the Millville School District. The following sections of this report cover the respective negotiated agreements and are presented separately. School officials cannot unilaterally alter the terms of the agreements. Recommendations, which involve changes in these negotiated agreements, would necessarily require negotiations and agreement by the respective parties to achieve implementation. Contract analysis is limited to aspects that appear to have an economic and/or productivity impact.

The following chart illustrates the name of the unit, the employees covered in the agreement and the dates of the contracts reviewed:

| <b>UNIT</b>                                     | <b>EMPLOYEES REPRESENTED</b>   | <b>CONTRACT PERIOD</b> |
|---|--|------------------------|
| Millville Education Association                 | Classroom Teachers, Librarians, Nurses, Special Teachers, Learning Disability Specialists, Reading Teachers, Speech Therapists, Social Workers, Visiting Teachers, Part-time Teachers and Secretaries, Security and Library and Classroom Aides, Principal Clerks, Senior Accounting Clerks, Senior Clerk Typists, Computer Operators, Clerk Stenographers, Accounts and Registrar Clerks, General Office Personnel, Data Processing Administrative Clerks, Substance Awareness Counselors, Assistant Cafeteria Managers, Cafeteria Workers, Cooks, Bakers | 7/97 – 6/00            |
| Millville Education Association (Co-Curricular) | Coaches and Assistants for Sports Teams, Directors, Assistants and Advisors for Music, Art and Other Student Organizations/Activities; Equipment Manager, Court Liaison  | 7/98 – 6/01            |
| Millville Administrators' Association           | Principals and Vice Principals, Supervisors, Department Chairs, Guidance Counselors, Psychologist, Administrative Services Chief, Clerical Supervisor, Buildings and Grounds Supervisors, Food Service Manager, Transportation Coordinator   | 7/96 – 6/99            |

|  |   |             |
|--|---|-------------|
| Central Office<br>Confidential Employees                                   | Secretaries to the Superintendent, the<br>Board Secretary/Assistant<br>Superintendent for Business, the<br>Assistant Superintendent for<br>Curriculum and Instruction, the<br>Director of Personnel, and the Payroll<br>Clerk | 7/97 – 6/00 |
| Millville Food Services<br>Association                                     | Assistant Food Service Managers   | 7/97 – 6/99 |
| Millville Public Schools<br>Association of Building<br>Maintenance Workers | Full-time Building and Grounds<br>Maintenance Workers   | 7/96 – 6/99 |

## **MILLVILLE EDUCATION ASSOCIATION**

### **Sick Leave**

Teachers are granted 15 days per year and are allowed to carryover 12 unused days to the following year. Five of these days can be used for family illness, personal days and death in the immediate family. In this latter situation, two days can be taken without being deducted from the five. Therefore, the use of these two days can cause sick leave to be a maximum of 17 days.

Support staff get 12 sick leave days during their first year. Ten-month support staff remains at that level, while 12-month employees subsequently get 15 days. Additionally all support staff get two personal days per year.

Cafeteria staff who work 20 or more hours per week are granted 12 pro-rated sick leave days per year, and two pro-rated personal days. Cafeteria employees who work less than 20 hours per week are granted 10 pro-rated sick leave days per year and one pro-rated personal leave day per year.

For teachers, a maximum of 12 unused sick leave days can be accumulated from year to year without limit. Support staff and cafeteria staff can accumulate all unused sick leave without limit.

### **Recommendation:**

**The district may want to consider raising the number of hours per week that define which cafeteria employees get a higher level of benefits. Thirty-five hours is recommended as the criteria for granting 12 pro-rated sick days and 2 personal days. The pro-rated sick days for employees who would work 20-34 hours a week would become 10 annually. It is recommended that staff working less than 20 hours per week be granted three sick days annually.**

**Potential Cost Savings: \$12,000**

Though internal policy stated in the Staff Manual allows the administration to ask employees for medical documentation after only one day of sick leave, internal procedure requires such documentation after five days. At this time this matter is under negotiation with the Millville Education Association and is not addressed in any contract.

**Recommendation:**

**The board is on firm ground in working to negotiate a contractual provision requiring the employee to provide medical documentation for sick leave of five days or more. Such a contractual provision does not preclude the right of the employer from requesting documentation for absence for less than five days. The state requires such documentation in that time period as well.**

**Sick Leave Compensation at Retirement**

Upon retirement, or death while an employee, teachers are granted a bonus for accumulated unused sick leave. Payment is calculated by taking 25% of the per diem rate and multiplying it by the number of accumulated sick days. Support staff are eligible for this benefit also, provided they have worked at least 10 years and have accumulated a minimum of 50 days. Cafeteria staff who work 20 hours or more per week and were hired before 6/30/88 are entitled to payment for one half of their accumulated leave days at their per diem rate at the time of their retirement. Cafeteria workers hired after 7/1/88 have their payment entitlement at one quarter of their accumulated leave days.

**Recommendation:**

**The district should set a maximum payment amount for unused sick leave, such as the State's current limit of \$15,000. As currently contracted for 1999-00, teachers at the top salary steps, who have used only three sick days per year and carry forward 12, and who work for the district for 30 years, for instance, could receive a payment ranging from \$25,515 to \$26,595 depending on their education level.**

**Potential Cost Savings: Undetermined**

**Professional Development**

The board offers to pay the full cost of six credits in any one school year beyond the required non-degree Certification or the Bachelor degree for professional staff and for education related to the employee's work skill improvement for support staff.

**Recommendation:**

**The board should consider setting a maximum reimbursement amount for the six credits per school year, perhaps limiting the reimbursement to state university rates. Contractual provision should be made for employee reimbursement of such course payments should the employee leave the district's employ prior to, for example, one year following completion of the compensated course(s).**

## **Longevity**

The Millville Education Association contract includes provision for longevity payments to teaching staff, secretarial staff, secretaries and aides to the board, classroom/security aides and maintenance staff, which are added annually as an addition to the salary guides. The longevity payments are made to these employees solely on the basis of years of service. In the 1997-98 school year, 160 district employees received longevity payments.

Their contract present the following longevity pay schedule for teachers, which has a cumulative feature:

After 24 years or more of service: \$500  
After 30 years of more of service: \$1,000 additional  
After 35 years of more of service: \$500 additional

For secretaries and aides, the longevity pay schedule is:

After 10 years through 14 years: \$300  
From 15 years through 19 years: \$400  
After 20 years: \$500

## **Recommendation:**

**LGBR does not support the concept of longevity payment. Salary guides should reflect true compensation values, and additional payments for years of service beyond that provided in the salary guides should be discontinued. The Millville Board of Education should consider taking one of two actions with regard to longevity payments. Either reduce or eliminate longevity payments from salary guides in future negotiations; or else, those covered by this agreement should only receive longevity pay on particular anniversary dates of employment, i.e., on years 25, 30 and 35, rather than each year from 10 or 25 on as currently provided, depending on job classification. This latter option would result in a substantial saving.**

**Financial information on extent or pattern of these costs was not available, so a potential savings estimate could not be developed.**

**Potential Cost Savings: Undetermined**

## **Health Benefits**

The board pays fully for employee and dependent medical coverage in US Aetna Healthcare, a two-phase plan that has both an HMO as well as indemnity plans that covered individuals can use interchangeably. The indemnity phase of the plan is reported to reimburse at 80% of reasonable and customary costs. For individuals hired after 7/1/95, the district's policy is to pay fully for single dental, prescription and vision benefits. After two years of employment, the employee becomes eligible for family coverage for these three benefits at the board's expense.

**Recommendations:**

The district should endeavor to negotiate a 20% co-pay for medical costs other-than-single coverage. It should also seek to lower the reimbursable portion of the indemnity to 70% to achieve a lower premium as well. The projected total cost for the 740 Millville School District employees expected to receive health care benefits in 1999-00 is \$5,716,026. Some form of cost sharing is an effective method for controlling the cost of this benefit.

**Potential Cost Savings: (See Health Insurance Section)**

The district may want to consider raising the number of hours worked that define when any school district employee is entitled to health benefits. Thirty to 35 work hours per week is the current suggested level for granting health benefits to public employees that is supported by the review team.

**Potential Cost Savings: (See Health Insurance Section)**

If both spouses are employed by Millville's Board of Education, a payment of \$2,500 made at the end of each school year is offered to a spouse who elects to forego all health benefits. In 1997-98, this benefit was paid to two employees, costing \$5,000. However, payment for waiving health insurance coverage has limited effectiveness. Experience has shown participation in coverage waiver programs has been less than 5% of a district's eligible employees. In order to accomplish more savings and provide more manageable budgets, insurance cost sharing is more effective since it affects more employees.

**Recommendation:**

The payments for foregoing acceptance of health coverage should be eliminated. Though the policy is well intentioned in its desire to reduce premium payment, insurance expertise holds that ultimately nothing is gained in exchange for these payments.

**Potential Cost Savings: \$5,000**

**Salary Compensation****1997-98 TEACHERS' SALARY GUIDES**

|                       | BA<br>Minimum | BA<br>Maximum | MA<br>Minimum | MA<br>Maximum |
|-----------------------|---------------|---------------|---------------|---------------|
| Millville             | \$30,000      | \$54,500      | \$31,200      | \$55,700      |
| Cumberland Co. Median | \$30,355      | \$48,417      | \$32,102      | \$50,146      |
| NJ State Median       | \$31,196      | \$55,624      | \$33,726      | \$59,053      |

Source: NJEA

Information on the distribution pattern of Millville's teaching staff on their salary guide for 1997-98 was not available, so the review team can make only general comments on the guide



based on comparison with county and state median teacher salaries. At both the bachelor and master levels, Millville starting salaries were slightly below state and county medians. At the top end of the ranges, Millville salaries were below state medians, more significantly at the master than at the bachelor level. However, at the top of the bachelor and master ranges, Millville exceeded the county median by over six and five thousand dollars, respectively.

### **Millville Education Association: Co-Curricular Agreement**

According to the Comparative Spending Guide, Millville ranks in the middle high side (55 out of 85) of school districts in its size and configuration group in spending for co-curricular activities. This ranking reflects 1.8% of total actual comparative per pupil cost going to extracurricular costs (\$148 in 1997-98). Though ranking midway in its group, Millville's cost trend in this area is upward and should be monitored: in 1996-97 Millville ranked 44 with 1.7% per actual pupil cost and in 1998-99 Millville ranked 58 with 2% per pupil cost based on budgeted costs.

Millville's 55<sup>th</sup> place ranking in 1997-98 was highest within our comparison school districts that included Atlantic City, Bridgeton and Vineland. These districts' percent of total comparative cost/pupil and their translation into dollar cost per pupil that year follow:

### **Extracurricular Costs Comparison: Millville and Comparative School Districts, 1997-98**

|               | Rank Within Size &<br>Configuration Group | Total per<br>Pupil Cost | % of Extracurricular<br>Costs | Annual Cost Per Pupil for<br>Extracurricular Program |
|---------------|---|-------------------------|-------------------------------|--|
| Millville     | 55  | \$8,212                 | 1.8%                          | \$148  |
| Bridgeton     | 31  | \$8,441                 | 1.4%                          | \$31   |
| Vineland      | 11  | \$8,623                 | .9%                           | \$11   |
| Atlantic City | 9   | \$8,678                 | .9%                           | \$9  |

### **Recommendation:**

**The district should consider freezing salaries of extracurricular personnel until Millville becomes more competitive within its comparison groupings.**

### **Millville Administrators' Association**

Covered personnel are listed in the above chart. The salaries of the personnel in this unit appear to be comparable with their colleagues in similarly configured districts within Cumberland County.

### **Sick Leave**

Twelve-month employees are granted 18 days while 10-month employees are granted 15 days. Fifteen unused days may be accumulated by the first group and 12 days accumulated by the second. Within the granted days, five of them can be used for two personal days and three for serious family illness. Two days within the five are granted for death in the immediate family, but are additional to the annual allotments. The use of these days can cause sick leave to be a maximum of 20 and 17 days respectively for 12- and 10-month employees.

### **Sick Leave Compensation at Retirement**

Upon retirement or death, administrators and supervisors are granted a bonus for accumulated unused sick leave. Payment is calculated by taking 25% of the per diem rate and multiplying it by the number of accumulated sick days.

#### **Recommendation:**

**The district should set a maximum payment amount for unused sick leave, such as the State's current limit of \$15,000. In the current contract, which expires in June, 1999 supervisors and administrators at the top of their salary scales, who have used three sick days per year for thirty years could receive a retirement bonus payment ranging from \$21,000 to \$44,000.**

**Potential Cost Savings: Undetermined**

### **Vacation**

Twelve-month employees are granted 20 vacation days per year and these days can accrue to a maximum of 40.

### **Professional Development**

The board will pay the full cost of six credits in any one school year taken beyond the administrative or supervisory certification.

#### **Recommendation:**

**The board should consider setting a maximum reimbursement amount for the six credits per school year, perhaps limiting the reimbursements to state university rates. Contractual provision should be made for employee reimbursement of such course payments should the employee leave the district's employ prior to, for example, one year following completion of the compensated course(s).**

### **Health Benefits**

The board now bears the full cost of medical care for all its employees and their dependents. For employees hired before February 1, 1995, the board also pays the full cost of dental, prescription and optical plans for their entire families. There is a \$25 individual and \$75 family deductible in the dental plan, a \$5 generic and \$10 brand co-pay in the prescription plan, and a \$20 per person deductible in the optical plan.

For employees hired after February 1, 1995, the paid cost of the dental, prescription and optical plans are limited to a single membership. Other family members may be covered through employee payment of the full cost of the difference between the single rate and the prevailing board paid group rate for the coverage desired. After two years of employment, the board picks up 100% of these costs for all dependents.

**Recommendations:**

**The district should endeavor to negotiate a 20% co-pay for medical costs of other-than-single coverage. They should also seek to lower the reimbursable portion of the indemnity to 70% to achieve a lower premium as well.**

**Central Office Confidential Employees**

Covered personnel are listed in the above chart.

**Sick Leave**

Employees in this unit earn one day per month in their first year, and then 12 month employees are granted 15 days per year thereafter. Three days per year for death in the immediate family or illness in the immediate family are included in the granted sick leave. All unused days can be accumulated.

Additionally, there are two personal leave days granted.

**Sick Leave Compensation at Retirement**

Payment is made for one quarter of the unused days at a rate based on the salary at retirement. At least 50 accumulated days are needed to qualify for this benefit.

**Recommendation:**

**The district should set a maximum payment amount for unused sick leave, such as the State's current limit of \$15,000. In the current contract, which expires June, 1999, central office confidential employees at the highest salary, who have used three sick days per year and worked for the district for 30 years would be entitled to a payment of \$17,042.**

**Vacation**

Employees in this unit follow a civil service schedule, going from 12 days in year one up to 25 days after year 20.

**Longevity**

Staff members who are considered confidential employees receive a \$1,000 annual longevity payment after 10 years in this position or 15 years in the district.

**Recommendation:**

**LGBR does not support the concept of longevity payment. Salary guides should reflect true compensation values, and additional payments for years of service beyond that provided in the salary guides should be discontinued. The Millville Board of Education should consider taking one of two actions with regard to longevity payments. Either reduce or eliminate longevity payments from salary guides in future negotiations, or limit longevity to significant anniversary dates of employment. This latter option would result in a substantial saving.**

**Financial information on extent or pattern of these costs was not available, so a potential savings estimate could not be developed.**

**Potential Cost Savings: Undetermined**

#### IV. SHARED SERVICES

LGBR encourages school districts and municipalities to share services whenever it is possible to do so. In addition to the obvious cost savings associated with combining resources and the improvement of the quality of services, the public's perception of such activities is usually positive.

Recreation - School district facilities are used year round by the Millville recreation department to conduct the programs sponsored by the department. To accomplish this, school activities and recreation activities are coordinated to avoid conflicts and to maximize the use of these facilities.

Student Transportation - The Millville School District participates in the transportation services coordinated by the Cumberland County Educational Cooperative. Transportation for students in special programs outside the district and in private schools is provided by this cooperative.

Energy - The school district participates in the Cumberland County Educational Cooperative for the purchase of natural gas. The cooperative negotiates the unit price and the members of the cooperative enter into contract with the successful bidder at the negotiated price. The district also purchases milk and juice through the cooperative.

Paper - Millville, along with a number of other school districts in south Jersey, participates in a joint purchasing agreement with Pittsgrove Township for the purchase of paper. The school district provides storage for the bulk purchase of paper for neighboring school districts in its warehouse facility.

Custodial/Medical Supplies - The Millville School District sponsors a joint purchasing agreement involving six other school districts for the purchase of custodial and medical supplies.

Electricity - The school district participates in the South Jersey Power Cooperative for the purchase of electricity.

#### **Recommendation:**

**The Millville School District is commended for its participation in cost effective shared services and the administration should continue to investigate additional opportunities for cooperative ventures with the municipality as well as with other school districts. Some areas to pursue are those areas where the municipality and the school district are engaged in similar activities such as groundskeeping, vehicle maintenance, purchasing and payroll.**

In addition to savings to be realized by joining services, there are two new state programs designed to encourage and reward local governmental units and their taxpayers for regionalizing, sharing and joining services with other units of local government. The Regional Efficiency

Development Incentive Act (REDI) provides funds to local units to study the feasibility of joining services. The second program, REAP (Regional Efficiency Assistance Program), provides direct tax relief for any local government regional service agreement signed after July 1, 1997. These programs are administered by the New Jersey Department of Community Affairs (DCA), Division of Local Government Services. The city is encouraged to contact DCA for additional information.

## **LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS**

Roland M. Machold, State Treasurer  
Peter Lawrance, Deputy State Treasurer  
Robert J. Mahon, Director, Local Government Budget Review Program

Millville School District Review Team  
Robert J. Mahon, Educational Team Leader  
Local Government Budget Review

Anita Lai, Local Government Budget Review  
Gilbert Francis, Local Government Budget Review  
Eugene McCarthy, Local Government Budget Review